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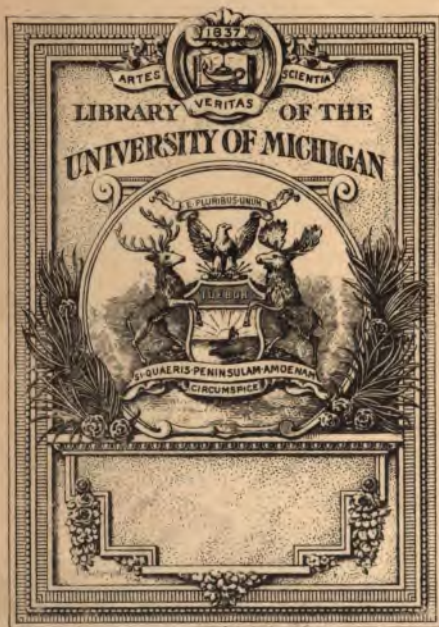


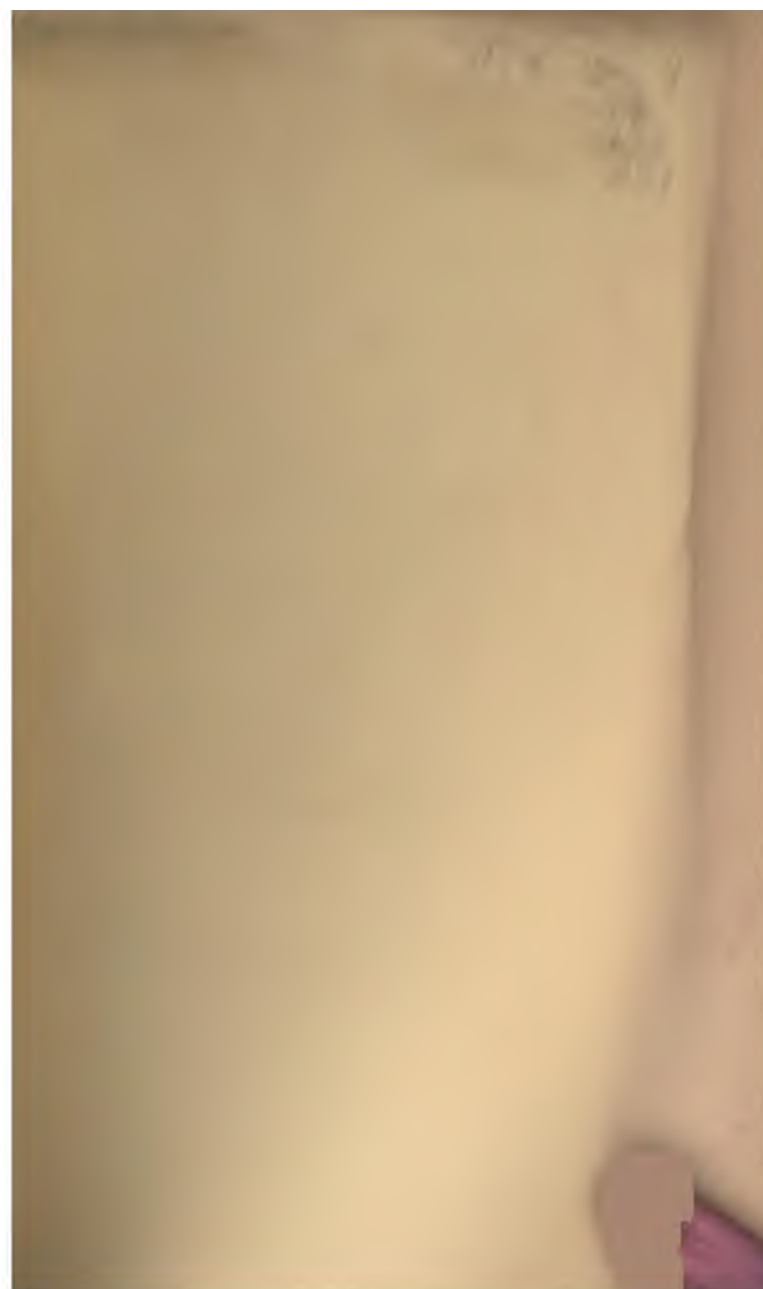
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PHILO-SOCRATES.



AMONG THE BOYS.

VOL. III.

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PHILO - SOCRATES.

A SERIES of Papers, wherein subjects are investigated which, there is reason to believe, would have interested Socrates, and in a manner that he would not disapprove, were he among us now, gifted with the knowledge, and familiar with the habits and doings, of our times.

BY WILLIAM ELLIS,

AUTHOR OF "RELIGION IN COMMON LIFE," "OUTLINES OF SOCIAL ECONOMY,"
ETC. ETC.

VOL. III.—*Among the Boys.*

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1864.



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PREFACE.

I WILL not present Volume III. to the reader without adding a few words to those with which I prefaced Volume I. Whatever objections might be raised to my former attempt to show how the subjects of which I am treating may be made to give a tone and character to the education of the young, they will apply with undiminished force to the present.

I regret exceedingly, while I readily acknowledge, my want of literary ability so to express my thoughts as to conciliate for them the favourable reception which I feel they deserve. Nevertheless, I take comfort from the reflection that few persons who have given much attention to education will deny its being desirable that all boys should have as much information as is possible at their age, before leaving school, to guide their conduct in life, and be put in the way of seeking and discovering for themselves the further information attainable only at a more advanced age, and unattain-

able then except by those prepared through previous teaching and training.

Many of the boys at our public schools conquer far greater difficulties than those with which I would exercise their observing and reflecting faculties. A time will come, perhaps, when the same pains will be taken by teachers to assist boys to form, analyze, and express their own thoughts as they now take to exercise them in reproducing the thoughts of others, or the words which, unknown to them, hide the absence or misdirection of thought.

I make no apology for my perseverance in calling the attention of parents and teachers to what I consider a sad oversight in prevailing education. To some, I know, my appeals are not made in vain; and many students who have gone through their schooling, left in the dark upon the great social problems, which they must solve or stumble against, will not scorn the assistance which I am attempting to offer them.

W. E.

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PHILO-SOCRATES.

AMONG THE BOYS.

ON HIRING AND LETTING.

P. You must have learned enough from our previous conversations to feel convinced how great your disadvantage would be, were you to be launched upon the waters of industrial life deprived of the knowledge which you have so far acquired. It is painful to think of the inevitable lot of thousands of our fellow-creatures, thrown entirely on their own resources, in a state of society where each man's position depends mainly on his own conduct, ignorant as to what that conduct ought to be. To you, at all events, it has been made plain that one condition of a comfortable state of society is the existence of a stock of wealth, commensurate with the numbers to be maintained out of it; and that one condition of the continuance of a similarly comfortable state is the steady replacement of the wealth which is consumed. As nowhere yet has man's state of comfort risen to what we conceive it ought to be and might be made, more

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then replacement is one of the conditions attached to the attainment of an improved state in future. Although, at present, your parents and guardians stand between you and the consequences of your not being possessed of wealth of your own, and of your not sharing in the work of replacement, or of more than replacement, you know that the time is at hand when you must have wealth of your own, and must take your share of work, or being down suffering, and perhaps disgrace also, upon yourselves. You know the qualifications which you ought to possess to become efficient workmen. You are beginning to acquire them, and are laying the foundation on which those other qualifications must be built, which cannot be hoped for except with mature years. You are aware of the help that is already awaiting to smooth your first difficulties: administrators of capital being at hand who will purchase your labour and afford you opportunities of improvement in intelligence, skill, and general efficiency. Your wages will be paid in money, and there are capitalists even now making it their business to prognosticate what commodities you will like to buy with your money, and urging lest you should buy and consume so much at our time of particular kinds of commodities as not to have sufficient for the future. You are now prepared to enter upon a consideration of the services of other capitalists, who are employed in another way for your benefit. But first, tell me, are people in the habit of buying all the commodities which they require to satisfy their wants?

H. Yes, unless you would not call that buying where they take credit.

P. I should, in compliance with general usage, call that buying, although on credit; and we will not omit to examine the practice of buying on credit by and by. But the correctness of the answer which you have just given is scarcely borne out by what is of daily occurrence around us. When, having quitted the parental roof, you will be providing entirely for yourselves, you will have to buy food, clothing, fuel, and many other things. Among the things that you cannot dispense with, are there

not some that you will obtain in some other way than by purchase ?

B. We ought to have thought of that ; we shall not buy, we shall hire our lodging.

P. If there were nobody willing to let lodgings to you, would you be able to buy them ?

B. No ; and it certainly is a most fortunate coincidence that, while we want lodgings which we could not buy, there are people prepared to let them to us.

P. When you have been at work for some years, and, we will suppose, successfully, do you think you will be likely to buy rather than hire a lodging ?

B. We think not. We hope to be able to buy our furniture and to hire a whole house. Even where people, especially labourers, might buy their own houses, they seem to prefer, as we should, to hire them.

P. What makes you think you will prefer, supposing you have the means to buy a house, rather to hire one ?

B. Hiring would leave us more free in case our employers or a shifting of employment should require our presence and labour to be transported elsewhere. To remove one's furniture and household is inconvenient enough, without being obliged, at a short notice, to sell a house or leave it to the care of others at some risk and expense.

P. Your opinion being that the practice of letting and hiring lodgings and houses, furnished and unfurnished, is almost indispensable to the welfare of young labourers, and very conducive to the comfort of all who hire them, may we also add that it is not without its attractions to the owners of the houses who let them ?

B. So it may be presumed, seeing that they neither own nor let under compulsion.

P. A practice so general, frequently so necessary, always so convenient, deserves to be examined. Here, again, it is desirable that you should be acquainted with the terms in use growing out of the practice of hiring and letting, and be pre-

pared also to detect the substitutions of meaning which are often unconsciously adopted by persons who become familiar with words before they have mastered that which the words are intended to denote. You are, no doubt, acquainted with the names which have been given to the proprietors of land, and of buildings, with or without furniture, who let the occupancy or possession for a time, retaining their right of property in them; to the parties who engage to occupy them; and to the consideration, whether in the shape of money or otherwise, which is paid or engaged to be paid for permission to occupy?

B. The proprietors are called landlords; the occupants admitted by them into possession are called tenants; and the consideration agreed to be paid to the landlord by his tenant is called rent.

P. The convenience to tenants of paying rent rather than purchasing or building houses is obvious enough: is it also obvious why people are willing to constitute themselves landlords?

B. The rent, of course, is their inducement.

P. How is it determined what the rent is to be?

B. That is the result of a bargain between the landlord and tenant.

P. In the same way that price is the result of a bargain between buyer and seller?

B. Yes.

P. Although prices are settled by bargains between buyers and sellers, we saw that it was possible to point out conditions under which buyers are driven to pay higher prices, and sellers to submit to lower prices than are agreeable to them: do any similar conditions control the negotiations of landlords and tenants?

B. We should expect, if the number of persons desiring to become tenants were on the increase, compared with the quantity of land and number of houses to be let, that rents would rise; and that rents would fall, if the number of tenants were on the decrease.

P. Amid any fluctuations that might disturb the previous proportions between landlords and those who would be their tenants, do we not observe great unfluctuating or permanent differences in the rents paid for different properties ?

B. Large buildings and large estates, of course, command larger rents than smaller buildings and estates.

P. Have we not plenty of instances of dwellings nearly similar being let at very different rents, apparently according to their situations ?

B. Yes, because dwellings being more liked in some situations than in others, tenants are to be found willing to pay much more for permission to occupy them.

P. Is the same preference noticeable in regard to shops and warehouses ?

B. Yes ; but in their case, we presume, it is rather the profitableness than the agreeableness of the situation which attracts tenants. In farms, the healthiness and agreeableness of the situation will form items in the estimation of tenants, but the expectation of large crops will probably be uppermost in their thoughts.

P. You have brought together a number of considerations likely to affect offers for rent. It will be difficult to appreciate their collective influence, unless we can first assign its due weight to each separately. Now, supposing all other things to be equal, which house will procure a higher rent for its landlord, one the building of which cost 1,000*l.*, or one that cost 500*l.* ?

B. The one that cost 1,000*l.*, for otherwise people would cease to build houses at so great a cost as 1,000*l.*, and build more at 500*l.*, provided the rents obtainable for them were considered satisfactory or more than satisfactory by the proprietors of such houses.

P. Is it not possible, nevertheless, that the rent of a house costing only 500*l.* should be larger than that of one costing 1,000*l.* ?

B. Quite possible ; but that will be occasioned by other

advantages held to attach to the less costly house. But the rent must suffice to compensate for the cost, as a condition of the further building of houses of like cost.

P. Assuming that rents of 40*l.* and 80*l.* respectively would only just satisfy the builders and purchasers of houses of 500*l.* and 1,000*l.* cost, are those rents what we might call the *minima* which will induce capitalists to continue to provide them, although those rents may, both or either, be greatly enhanced by other circumstances?

B. Yes, otherwise we should have to suppose that landlords in their industrial pursuits were actuated by feelings different from those which prevail with other men in their efforts to acquire incomes.

P. As most landlords are not builders, let us examine the proceedings of each separately. Is it true that a builder, like any other manufacturer, makes his manufactured articles, or builds his houses, out of the raw material and with the labour which he purchases, contracting beforehand with the future proprietor or landlord for a price which will at least repay his cost, or fully expecting to obtain such a price? and if so, how will that influence the price of houses?

B. Builders, certainly, do act in this way, and the tendency of their course of action must be to establish prices for houses proportioned to the costs at which they can severally be built: bearing in mind that these proportions are liable to be disturbed by the prices widely diverging from these proportions given for the sites on which the houses are to be built.

P. This being established in regard to the prices of houses, how will it be with the rents obtainable by the purchasers or landlords of those houses?

B. Subject to the same proviso as regards the different rents payable for the land on which the houses stand, the tendency of rents will be to have the same ratios to one another as the prices, and hence as the costs at which additional houses can be built.

P. This answer still leaves me to inquire what proportions

the rents will bear to the prices of houses, whether 4 per cent. or 10 per cent. or what else per cent. ?

B. The proportion of rent to price will depend partly upon the prevailing rate of interest, partly upon the cost of maintaining the capital invested in the houses, and partly upon the labour involved in supervising the houses and collecting the rents.

P. Will you develop each of these elements of rent a little more fully, beginning with that of the rate of interest ?

B. Understanding by the rate of interest that income which is obtainable from capital, without risk or labour to its owner, it is plain that no capitalist, who had the option of lending his capital or investing it in houses, would choose the latter unless with a view to obtain something more than interest, so much, at least, as would compensate for deterioration and dilapidations and the labour of collecting his rents. Little need be said on the other elements of rent. The equivalent for deterioration will vary with the character of each property, and compensation for the labour of supervising and collecting rent will be determined by the same conditions to which wages in general are subject.

P. To make sure that we understand one another, let me reduce what you have been stating to figures. Assuming the rate of interest to be 4 per cent., and the equivalents of deterioration and of management to be 3 per cent. and 1 per cent. per annum respectively: what do you expect the rent of a house would be, the cost of which was 1,000*l.* ?

B. Not less than 80*l.* a year.

P. Might it not be more ?

B. Certainly, but we must also bear in mind that, temporarily at least, it might be less. If houses were built faster than tenants were prepared to take them, landlords, rather than have their houses unoccupied, would submit to reduced rents ; but, under such circumstances, landlords would cease to buy more houses at the same price, and consequently builders would be deterred from building till rents were restored to paying rates.

P. Is there not a limit, above as well as below, which rents are not likely to remain ?

B. One and the same. For supposing the demand for houses to outrun the supply, and rents to rise so as to yield more than 8 per cent. on the capital invested—say 10 to 12 per cent.—inducements for extra building would be held out till the rents again declined to the assumed remunerating rate.

P. Will not some consideration in rent be sought for by landlords as a compensation for defaulting tenants, as well as for deteriorating houses ?

B. Yes, and they will get it, too, or abandon that business. As, however, people must have shelter, and prefer to procure it by hiring rather than by buying, they must pay a rent which will place landlords on a level with other classes of capitalists.

P. The very word “defaulting,” applied to tenants, not only indicates that they do not pay the higher rents you speak of ; it implies, besides, that they fail to pay rent altogether. Who, then, pay these advanced rents ?

B. The respectable and non-defaulting tenants have to pay higher rents to compensate landlords for what they lose by defaulters. But this is only another form of the injury always inflicted upon the well-conducted portion of society by the ill-conducted.

P. Would rents be lower if all tenants were trustworthy and scrupulously careful of the property which is trusted to their care, as well as surrendered for their use ?

B. There cannot be a doubt about that.

P. If some landlords were more successful than others in winnowing bad tenants from among the total number of applicants who presented themselves, might they not let their houses at lower rents to the good tenants accepted ?

B. They might, and, at the same time, obtain a larger total rental than other landlords who were less discerning.

P. In dealings between landlords and tenants—the faults not being always on the same side—may not tenants occasion-

ally be sufferers from a backwardness, a reluctance, a shuffling dilatoriness on the part of landlords in fulfilling their share of the bargain ?

B. Yes, and discriminating tenants will readily pay additional rents to landlords of a better stamp.

P. Will not cautious landlords find their market narrowed by the number of applicants of the kind which they are predetermined to reject ?

B. Yes, and prudent tenants in the same way will shut themselves out from many houses, the landlords of which are not acceptable to them. It will probably happen that the better landlords and the better tenants will share between them the advantages of their respectability : the landlords obtaining a larger total rental, and the tenants paying less rent and exposed to fewer of those petty annoyances which arise out of a grudging instead of a ready performance of contracts.

P. Does not this extra rental of the better landlords militate against what you called the tendency of rents to conform themselves to the proportions between the several capitals invested in the houses out of which the rents arise ?

B. You must not leave out the element of rent which we called remuneration for supervision, and which, following the conditions exemplified in the distribution of wages and profit, varies with the qualifications brought to the performance of the duty. As for tenants, it is clear that if all were trustworthy and conscientious, rents would be lower. And here we have another confirmation of a former statement—that abundance of wealth and the well-being derivable from it are consequences of the attainments of a people.

P. You have given a very satisfactory account of the circumstances which determine rents of dwellings, irrespectively of the sites on which they are built ; let us next inquire what modifications are introduced when these are taken into account. It seldom happens, in this country at least, that land is to be had without making some payment for it. Must not some addition be made to the rent to compensate for that payment ?

B. There must be some addition, but it puzzles us to find out what that addition will be, or on what principle it is to be settled.

P. The best plan for unravelling your puzzle will be to approach it systematically, as we did the puzzles of profits, wages, and prices; for puzzles they are to many, although I trust you have unravelled them. As thus far we have supposed all things to be similar, except the capitals and the administrative capacities of the landlords to whom they belonged, so now we will inquire what must be the consequences where all things are similar except the sites of the dwellings. If I were to call your attention, as I easily might, to two sets of dwellings similar in all respects, except as regards their situation, one obtaining for its proprietor a rent of 100*l.* per annum, and the other a rent of 200*l.* a year; to what cause must you attribute the 100*l.* difference between the two rents?

B. To the difference of the two situations.

P. You may meet with people who will hesitate to accept this answer. What could you offer in corroboration of it?

B. We could point out that if the difference between the two rents were not attributable to that cause, or to some other that could not be neutralized or overcome, the difference between the two rents would not continue.

P. Why not?

B. Because more capital would be attracted to building and owning houses in situations similar to that on which the high-rented houses stood, till the rents of the high and low rented houses approached equality. Whereas, it is scarcely possible to fix a limit above which rents of houses on limited and favoured sites might not rise, there being no space for the erection of other dwellings to supply the demand for them.

P. Can you name any of the peculiar charms which make some sites for dwellings more attractive than others?

B. Proximity to palaces, gardens, and parks, soil, elevation, and reputed healthiness, and, beyond all these, what can only be described as the current of taste and fashion.

P. Can landlords safely rely for the continuance of incomes derived from rents swelled in amount through any of these circumstances?

B. No, and less safely in some cases than in others. The uncertainty of the ebb and flow in the current of fashion would weigh with prudent landlords, who wished to repose upon unvarying incomes in deciding how much of their extra-rent they ought to put aside to guard against a change of fashion setting in against the value of their property.

P. We have thus far been considering land and buildings as occupied for residence and enjoyment, as one of the outlets through which people spend their incomes and earnings. But are not many buildings and the larger area of land occupied for the purposes of profit?

B. Yes, the farms, factories, docks, canals, warehouses, railroads, mills, and buildings let out in counting-houses are all occupied for purposes of profit. Shops and schools may be considered as chiefly occupied for purposes of profit, partially also as dwellings.

P. Pushing on our examination of rents into those obtainable from tenements occupied for purposes of profit, we may accept as proved that, other things being the same, equal capitals, administered with equal capacities, will tend to produce equal profits, and consequently equal rents, so far as they are made up of profits. Leaving the farms to the last, do we observe the same varieties of rents from premises occupied for purposes of business, as for dwellings?

B. Quite as great, if not greater. There are houses fronting our large thoroughfares and contiguous to the Royal Exchange, and warehouses by the river-side, which procure for their proprietors ten-fold the rents that could be obtained for buildings of the same cost elsewhere.

P. Can you explain the cause of this excess of rent, and show whether there be any limit above which this excess cannot be carried?

B. We will try. Let us begin by taking for example a

number of buildings used chiefly as shops, the leases of which are expired, all built and capable of being rebuilt at the same cost, and all to be re-let. Capitalists, equal as to their command of capital and attainments, bid for them as tenants, offering rents varying from 100*l.* to 1,000*l.* per annum. If, after paying these different rents, the profits of each were not approaching equality, it would be because those who were realizing the smaller profit had either contracted to pay too large a rent for the premises which they occupy, or had lacked sagacity in bidding high enough for those which they missed.

P. How can so much larger a gross profit, granting that it is to be reduced by the payment of extra-rent, be earned in one site than another, and that too by similar capitalists ?

B. By the greater number of customers, which enables the capital to be turned more quickly. A capital of 3,000*l.* turned once a month might yield a profit of 60*l.* a month, or 720*l.* a year, while the same capital turned twice each month might yield 150*l.* per month, or 1,800*l.* a year, all expenses deducted except rent.

P. And what do you infer from the differences of opportunity of earning profit which are presented by different sites ?

B. There are two things which it is scarcely possible to avoid inferring : 1st. That an extra-rent will be bid by shopkeepers for the right of occupying the more favoured sites, and 2nd. That the extra rent will not exceed the estimate of probable extra profit earnable in them.

P. In order to facilitate our inquiry into what must be the consequence of occupying sites unequally adapted for earning profit, and to grapple with one difficulty at a time, we have supposed the occupancy to be conjoined with equal capitals and equal administrative capacities. Do you think a conjunction of the kind will often be found in real life ?

B. We should expect not. The tradesmen who can venture to undertake the payments of such extra rents as 1,000*l.* a year, ought to be thorough masters of their business in every respect. The notoriety and accessibility of their shops are

little more than attractions to customers, of little use unless followed up by that kind of treatment within the shop which retains the customers who have once been attracted.

P. In real life, then, you would expect that superior administrative capacities would be found on the sites where the larger rents were paid. And how about the capitals?

B. They would, also, most likely be larger on the favoured sites. For, supposing them to be equal at starting, those conjoined with superior administrative capacity on the favoured sites would outgrow the capitals less ably administered on the other sites. Besides, the proprietors of shops that will command the enormous rents of which we are speaking, would give a preference to tenants possessed of the larger capitals, on account of the promise thereby held out for the security of their property, and for the punctual payment of the rents agreed upon. In real life, therefore, the superior capacities administering the larger capitals will be found among the occupants of favoured sites paying the larger rents.

P. Are there not instances of large businesses which have been established in comparatively obscure streets, themselves made notorious by the shops, instead of their making the shops notorious?

B. A life of continuous and well-directed effort has often been thus rewarded: adding another example to the many already noticed of what are really the foundations of individual and national well-being.

P. Are there no other means available to shopkeepers for giving publicity to the merchandise in which they deal, and to the services which they are prepared to render, so as to attract customers?

B. Advertisements are frequently used for this purpose. A shopkeeper might consider that 500*l.* a year spent in advertising, would attract as many customers as an extra rent of 1,000*l.* a year. If not mistaken, he would have another advantage. When his reputation was well established, he might suspend, or discontinue his advertisements, occupy at a

low rent, and enjoy an extra profit—the reward of his sagacity and administrative capacity.

P. Will any portion of the extra profit obtainable in the great thoroughfares, arise out of the higher prices to be had there ?

B. As a fact, higher prices are not to be had there. Shopkeepers in the great thoroughfares cannot forget that there are other shopkeepers in the by-streets, and some very enterprising, who advertise, and make other efforts to obtain notice and customers. So far from higher prices prevailing in great thoroughfares and well-frequented neighbourhoods, they will rather be found in the less frequented.

P. How is that to be explained ?

B. There are many trades which it is almost necessary should be established in every neighbourhood, however scattered, or however much out of the way—those of milkman, greengrocer, chandler, baker, butcher, and cheesemonger. If their services are indispensable, they must be sufficiently remunerated ; and the only way in which that remuneration can be collected, is by the extra price charged on the limited number of articles for which customers are forthcoming. These extra prices are evidently paid by the consumer to make it worth the while of tradespeople to furnish in his own vicinity things which are indispensable to him, and which it would be more expensive to him to procure from a distance.

P. Let us now examine into the principles which regulate the relationship between landlord and tenant, as connected with the cultivation of the land. What name has been appropriated to that large class of men who direct the cultivation of the land, and to the portions of land with the buildings upon them which they occupy ?

B. The men are called farmers, and their holdings are called farms.

P. Are farmers generally the proprietors of the farm which they cultivate ?

B. No. The instances where farmers own their farms are so rare, that they may be considered exceptional.

P. How do they obtain permission to cultivate farms which do not belong to them ?

B. By coming to an agreement with the landlords or owners of the farms ?

P. What is the inducement by which farmers persuade landlords to yield possession of their land ?

B. The offer of rent—of rent which the landlords can feel persuaded will be paid when due.

P. What induces farmers to bind themselves to pay rent ?

B. The expectation that, after the rent has been paid, the ordinary profit, at least, on the capital or stock invested in the farm will be left to them.

P. In the bargain for letting a farm, with or without the intervention of an agent, and especially where landlord and tenant come together for the first time, what amount of rent will the landlord endeavour to obtain, and the tenant to give ?

B. The landlord will endeavour to obtain as large, and the tenant to pay as small, a rent as possible.

P. May there not be conditions attached by a landlord to his letting, which will have great weight with a tenant ?

B. The amount of rent which a tenant will undertake to pay will be larger or smaller, according to the terms of the lease offered to him ; larger, if the landlord undertook to contribute to improvements ; smaller, if he reserved rights to game, or subjected his tenant to conditions calculated to prevent his cultivating the land to the greatest advantage.

P. Does all this bargaining between landlords and tenants tend to make the rents of farms equal, or nearly so, or very different ?

B. Very different.

P. Does this difference depend upon the extent of each farm ?

B. Very little indeed. There are farms of more than a thousand acres for which landlords would gladly take half as much as what tenants are eager to give for other farms of less than 200.

P. Does it depend upon the fertility of the soil ?

B. Not entirely ; for many farms of comparatively inferior

soil command high rents on account of their proximity to markets, or of other advantages specially attached to their situation.

P. Do rents remain stationary, or do they fluctuate like price?

B. They do not remain stationary; and although they fluctuate, they do not fluctuate like prices. From what we have heard, we should say that in our country, and in other countries which have shared the blessings of modern civilization, there has been of late years a steady increase of rental, a very large rise in the rent from some lands, and a smaller rise in the rent from most lands.

P. Not from all lands?

B. Not from all: for there are some lands which are not worth cultivating, and from which the owners can consequently obtain no rent.

P. To get at the causes of the varying rentals of different farms, I must frame my questions more methodically, and appeal to some of the knowledge which you have lately mastered. Do all farmers earn equal profits?

B. Very different; and yet with a tendency towards equality, regard being had to the circumstances of each farmer.

P. What circumstances are you thinking of?

B. His capital, his administrative capacity, and his partiality for his farm on account of its salubrity, cheerfulness, and contiguity to kinsfolk and friends, or on any account, except that of its productiveness. All these things being the same, or nearly so, the profits of each farmer would also be the same, or nearly so.

P. Would not the fertility of the soil, the proximity to a market, and the number of acres in different farms, cause the profits to vary?

B. No. These would cause rents, not profits, to vary.

P. Can you offer any example to illustrate or confirm this statement?

B. When farms are to be let, the particulars are generally pretty well inquired into and ascertained on both sides. Among these farms, let us select four which, after the payment of all

outgoings, rent excepted, will yield to equal capitals, administered with equal ability, 2,000*l.*, 1,500*l.*, 1,000*l.*, and 800*l.* respectively. Whatever might be the rent of the last, the rent of the others will be greater by 1,200*l.*, 700*l.* and 200*l.*, and the profits of each farmer will be the same.

P. Suppose the farmer who rented the less productive farm discovered resources in it previously unthought of, would he not obtain extra profit?

B. Yes, during the term of his lease, and that would be the reward of his discernment as a cultivator. At the expiration of his lease, the newly brought to light properties in the farm being known, all that extra profit which was not dependent upon his tenant's special aptitude would go to the landlord as rent. Practically, it would most likely be shared by landlord and tenant.

P. Is it not possible to separate the aggregate rent receivable by a landlord into the two elements of interest for the capital invested in buildings and improvements on the farm, and of equivalent for all the return that the farm is capable of yielding over and above the returns to like capitals from farms the least productive of those thought to be worth cultivating?

B. A separation might be made in some such way as this. If, when a farmer took possession of a farm, the capital which had been expended on buildings and improvements were valued and paid by him to the landlord, the rent for which he contracted would be wholly derived from the estimate formed by him of what the farm was capable of yielding over and above the ordinary profits of stock. If the landlord and tenant made a separate agreement, by which the former lent the capital so valued to the tenant, the consideration for that loan would be determined by the prevailing rate of interest.

P. May it not sometimes happen that landlords and tenants will advise and arrange together for their mutual benefit while a lease is yet unexpired? If, for example, a landlord and a farmer, between whom there existed a lease, ten years of which were unexpired, could see their way to an increase of income of 100*l.* per annum by an outlay of 1,000*l.* capital, would there not

be a joint benefit derivable from the outlay, although neither might feel disposed to undertake it except with the other's concurrence?

B. This state of things might lead to the landlord's advance of, say 800*l.* capital, and to the tenant's advance of 200*l.* in payment of extra wages. The common gain might be shared in this way: an increased rent of 50*l.* a year and the permanent improvement of the farm to the landlord for his 800*l.*, 50*l.* a year additional income to the tenant for ten years for his 200*l.* and superintendence. To this might be appended a prolongation of the lease on terms more favourable than would be conceded to any other tenant.

P. There have been, and perhaps there still are persons who question the policy of allowing land to be held as private property: what would you say to such objectors?

B. We would invite them to explain the grounds on which they called in question rights that had so long been established.

P. And if they declined or, not declining, failed to state any that you could understand, or could accept as satisfactory, would you dismiss their objections as frivolous or untenable?

B. The objectors might deserve no further attention. But an objection being once suggested, it would be unwise in us to dismiss it till we had thoroughly examined it, if only for the purpose of testing the conclusions which we had previously formed.

P. How would you set about that examination, where an objection was urged by persons who would not or could not adduce any grounds for it?

B. We would re-examine the grounds on which we had been induced to adopt the conclusions objected to, and endeavour to ascertain for ourselves wherein they failed to coincide with all our other conclusions which could not be disturbed. There are declaimers against laws for the protection of property who are only to be met in this way. They attribute all the destitution and much of the vice and crime which pervade society to these laws. A re-examination of our own conclusions satisfies us that all the ills of life would be aggravated if property were left unprotected. We can, besides, while observing the ills which afflict

society concurrently with our imperfect protection of property, trace most of them to their causes—causes, too, removable when mankind shall have the intelligence to recognize them, and the resolution to enter upon the work of extirpating them.

P. And how will you apply this method in justification of the laws which confer rights to property in land ?

B. By endeavouring to ascertain in what way the land should be disposed of so as most to conduce to the general well-being. If rights to property in land had never been granted to individuals, the only other arrangement possible would be to keep it under the control of general or local authorities acting for society at large, or for those sections of society which might be considered most likely to be benefited by it.

P. What would be the harm if our laws which grant protection to property in wealth were simply silent in regard to property in land ?

B. You are laughing at us. Wealth could not be protected if the land were left to be scrambled for. Wealth rests upon the land. And how would it be possible to hold wealth of any kind independently of some holding upon the land ? Rights to cultivate the land and to build upon the land are indispensable to the production of food, clothing, and shelter.

P. Granting that some holding upon the land similar to that obtained by tenants is indispensable to the production and accumulation of wealth, how would the occupation and cultivation of the land and the position of farmers and other tenants be affected by the substitution of public for private landlords or proprietors ?

B. Not at all, except accidentally. The agents or trustees for the public, whoever they might be, after setting out such portions of the land as it was considered expedient to reserve for health and recreation, or other public purposes, would let the remainder, that is, nearly the whole, to the tenants who offered the highest rents—understood, of course, with good security.

P. Why would they do so ?

B. To secure the largest income for the society in whose behalf they act as trustees.

P. But ought they to aim at obtaining the highest rents, if by so doing burdens too heavy to be borne were inflicted upon tenants ?

B. When it is asked what landlords ought to aim at, we can but answer, at that which will most conduce to the welfare of society. What tenants and what amount of rent ought to be accepted so as most to benefit society, may have to be inquired into. But we should not be warranted in assuming that the tenants who offer the highest rents are less capable of earning a profit, after paying them, than tenants who offer the lower.

P. Do you mean that it is as easy for a tenant to pay a large as a small rent, and retain a profit for himself ?

B. No. But we do mean that it is easier for some tenants to retain a profit, after paying the larger rent for which they have covenanted, than it would be for others to retain a profit, after paying the smaller rent.

P. As you evidently lean to the opinion that landlords ought to choose for tenants those whom they believe to be capable of paying, as well as ready to covenant to pay, the higher rents, will you state your reasons for this opinion ?

B. Because those tenants who are capable of paying the highest rents, are also capable of making the land yield in abundance what will be most acceptable to society.

P. Would the substitution of public for private property in land make any alteration in prices ?

B. Not unless it should cause more or less produce to be raised from the land ; and why it should do that we cannot discover. The price obtained for the produce raised under the most unfavourable circumstances must be sufficient to remunerate the cultivator, while the cultivators of the better soils cannot be prevented from obtaining the same prices. Hence arises their ability to pay rent, as well as their inability to obtain permission to cultivate superior soils without paying rent.

P. Would land agents appointed by public authority be more likely to let the lands so as to place them under the management of the best tenants than private proprietors, or the agents appointed by them?

B. We ought hardly, perhaps, to venture an opinion. We cannot help suspecting that public functionaries would scarcely let the lands so advantageously for society as the freeholders and landlords, who have hitherto held the right of letting.

P. Do we not occasionally hear of the difficulty of obtaining possession of land, for building and other purposes, in the vicinity of towns cramped for space to accommodate their growing population?

B. We do. But we believe it to be the opinion of competent judges that difficulties of this kind are attributable to defects, complications, and ambiguities in titles, and the fears which they give rise to—evils that might be remedied; and to faulty methods of transferring property in land, whether by purchase, gift, or inheritance—methods which we are told might be made quite as simple as those for the transfer of other property. On occasions, where the good of society requires that individual feelings should be made to yield, parliament will compel landowners to surrender those particular rights that stand in the way, granting to them an equivalent, to be adjudicated, if required, by some impartial tribunal, for what they are compelled to part with. Instances of this kind are to be seen every year in acts of parliament for the construction and extension of railroads, docks, and canals, and for the opening and widening of streets.

P. If titles to land were simplified and assured, and transfers were made as easy and inexpensive as transfers of other property, do you think that individual freeholds would present no impediments to such uses and applications of land as might be called for by the altering circumstances of society, greater than would be presented if all freeholds were vested in the community?

B. That is our thought. Even now, with our complicated

and doubtful titles, and difficult, tedious, and expensive transfers, we see that the progressive rise of rents and increasing values of land, through the action of those who know how to apply it to new purposes, transfer occupancy from farmers to graziers, to cow-keepers, to market-gardeners, to brick makers, and to builders.

P. If our leaning were in favour of seeing the freehold property of land vested in the public, and leases granted by public functionaries, would there be any difficulty in introducing that system of holding and letting into this country?

B. The difficulty would be the existence of private rights, which it would be necessary to buy up. The surplus above the ordinary profits of stock which property in land bestows upon those who hold it—a surplus ever growing with the progress of any community in intelligence and conduct, and hence in wealth and numbers, has been resorted to as a means of investment for savings—has been bought and sold, given, bequeathed, and inherited for ages; forms the incomes of hospitals, schools, universities, corporations, widows, and minors. The purchase of their rights could only be made through wealth collected from those by whom it is more beneficially employed; and the dispossession of the rights without purchase would be iniquitous.

P. The founding of a new colony affords an opportunity of choosing any tenure of land that may be considered best adapted to promote the wealth and well-being of society without fear of disturbing rights which, in fact, do not exist. Various plans have prevailed. The one most in vogue now—starting with the admission that the land is at first vested in the government, as trustee for society—is, to sell it. The question may fairly be put: had the land better be sold, and, thereby, handed over to individual management, the same as every other agent of production, or had the management better be retained by government, and conducted by functionaries appointed all over the country for the purpose?

B. Rents—meaning, by rents, equivalents for superiority of producing power with equal capitals—would be nominal till all the more eligible sites had been appropriated. It may be

presumed that the strongest encouragement to each emigrant will be to let him feel that the whole produce of his sagacity and industry is secured to himself. With the right of property in land bestowed on individuals, each emigrant will have this feeling. With the right to property in land withheld, each emigrant would feel that part of the future benefits derivable from the fullest exercise of all his faculties was not to be at his disposal. As far as we can see, we are inclined to think, and we will not venture to express ourselves more strongly, that simplicity of arrangement and inducements to cultivate and improve to the utmost, are more likely to be the result of individual proprietorship, than of reserving the whole freehold of the land for public purposes.

P. If I do not misunderstand you, it would be of no great moment whether freehold rights to land were or were not granted to individuals, after the colonists had once taken firm root in the new settlement.

B. We would rather say that we are not prepared to express a confident opinion upon the subject. Thus far only can we see at present. With the birth and growth of rent, land is sure to be let. It always has been, and we think we may say that we have learned, with your help, why it has been, and why it is likely to continue to be, let. Who are to be the landlords, public bodies, or individuals to whom the tenants are to pay rent, must be a matter of little importance to them, provided the engagements are faithfully performed. Whether it would be desirable to add to the other functions of government those of finding tenants for all the land of the country, and of collecting the rents, may well be doubted by all who are acquainted with the difficulties in the way of obtaining a satisfactory performance of those duties which can only be performed by public functionaries.

ON BORROWING AND LENDING.



P. We have touched more than once in the course of these conversations upon the practice of borrowing and lending. The advantages, rather than the dangers connected with that practice, are what have more particularly been brought to our notice. It would have been impossible, however, even if you had made the attempt, for you to avoid catching a glimpse of the dangers with which the practice may be beset—some unavoidable, others avoidable—some that appear to be run into through ignorance and heedlessness, others that fall upon the most intelligent and cautious. I dare say you could mention some of the evils that have been introduced by borrowing, or incurring debt?

B. To go on from day to day, from week to week, and from year to year without making some provision for the times that are coming, when the ability to earn may be temporarily suspended, or permanently extinguished, is bad enough. So fatal a habit, if universal, would quickly unpeople the earth. In proportion to its prevalence would a community be afflicted with want and beggary, and all the vices, crimes, and other ills which ever have accompanied insufficient stores of wealth. And there can be no question that to aggravate these evils by running into debt, must be something worse than mere extravagance of expenditure.

P. Might not people, hardened in prodigal habits, reconcile themselves to incurring debts, by the thought that the dangers

to which their extravagance exposes them, would hardly be increased by borrowing ?

B. They might, and no doubt they do. But society, which has a deep interest in preventing extravagance, has a still deeper interest in preventing borrowers from incurring debts which they will not be able to pay.

P. Society knows that it is in perpetual danger of having the maintenance of the extravagant imposed upon it. But the extravagant who run into debt, do worse than expose society to that danger. They diminish the store out of which society will have to maintain them. This may well make society look with disapprobation on such of its members as so misconduct themselves. Have any names been appropriated to the state into which people fall who are unable to pay their debts ?

B. Insolvency and bankruptcy are the two best known to us.

P. To whom are the names, insolvents and bankrupts, applied ?

B. To persons who are unable to pay their debts.

P. Do any people suffer by insolvents and bankrupts besides those who cannot obtain payment of what is owing to them ?

B. Sometimes not : at other times the suffering may be spread far and wide.

P. Do you mean that one failure may be the cause of many others ?

B. That of course. But we were thinking of the breaking up of establishments, the stoppage of works, the non-fulfilment of contracts, leading to the throwing out of employment of numerous workmen, and to the distress and misery of their families.

P. Are not those evils dreadful enough to make one wish that the practice of borrowing could be got rid of altogether ?

B. We may have much more to learn ; but, as at present informed, our impression is that the benefits to society from borrowing discreetly, far outweigh the evils, great as they are, occasioned by dishonest and imprudent borrowers.

P. If these evils are unavoidable, they must be viewed as

terrible drawbacks upon the advantages derived from the practice of borrowing and lending. If they are avoidable, and are not avoided, what must the evils be attributed to ?

B. To misconduct originating in ignorance, or in bad disposition, or in the two united.

P. And have you any opinion of your own as to whether they are avoidable or not ?

B. That much of the evil is avoidable, there can be little doubt anywhere. Certainly we feel none.

P. And how may better teaching and training be expected to act on the suffering occasioned by the kind of ignorance and bad disposition that you are thinking of ?

B. To diminish it by preventing, partly, at least, the ignorance and bad dispositions.

P. Can you feel quite confident of your ability to distinguish ignorant from intelligent borrowing, honest from dishonest borrowing, good disposition, in regard to the practice, from bad disposition, until you know more of the methods of dealing, to which the practice of borrowing and lending has given rise ?

B. We are conscious that we have little of the knowledge necessary to enable us to trust our judgment beyond that of the danger which must attach to incurring debts, in addition to spending extravagantly.

P. As the transactions between borrowers and lenders assume a great variety of shapes, under some of which the very practice of borrowing may almost be hidden even from the parties concerned, we shall do well to make ourselves acquainted with the processes by which debts are contracted, and also with some of the terms commonly used when speaking of them. What name is given to the party who incurs or contracts a debt ?

B. He is called a debtor.

P. And to the party of whom he has borrowed ?

B. He is called a creditor.

P. From this word "creditor," is derived a form of expression much used when sellers trust buyers, so far as to allow them to depart with the merchandise for which the price has

been settled between them, without paying the stipulated sum of money?

B. The seller is said to give credit, and the buyer to take credit.

P. Adopting this term, let us now endeavour to trace out the consequences of credit as we see it used, learning as we go along how we ought to use it; when to accept, when to decline, when to offer, when to deny, when to expand, when to contract, when to continue, when to withdraw it; all with a view to make our own industrial efforts more productive, to increase the general wealth, to keep clear of injury to ourselves, and to avoid inflicting it upon others. An inquiry of this kind has been called, not inaptly, an inquiry into the "morals of credit." One of the most common and most simple forms of credit, is where tradesmen part with the merchandise in which they deal, the prices being fixed, but the payment of the money being deferred for a week, a month, a year, or any other period agreed upon. Do you see any objection to that mode of taking credit?

B. We should require to know more of the circumstances under which the credit was taken in each case, before we could venture upon forming and expressing a judgment.

P. When the credit is taken and given merely as a matter of convenience, to get rid of the frequent recurrence of petty payments, the debtors being notoriously possessed of a superfluity of means for making these payments?

B. We can see no objection to such a use of credit.

P. When the credit is taken by annuitants or by labourers, who will have ample means of fulfilling their engagements out of their forthcoming annuities or wages?

B. To such a use of credit there are the gravest objections. There is less danger in using credit to consume an annuity before it is due than wages which are yet to be earned. But even annuities have to meet exceptional or unusual claims, as well as the ordinary; and surely it is more conducive to security and to the faithful discharge of the duties which must be attached to the possession of an annuity, if expenditure be kept within the limits

of the past annuity received, instead of being suffered to overrun into the annuity next to fall due. Even those who may be disposed to excuse a regulation of expenditure sanctioning the anticipation of future means, instead of reserving future means for future consumption, would still place some limit beyond which future income should not be anticipated. We think it more prudent and better and wiser to make present and past incomes suffice, or rather more than suffice, for present expenditure. When from annuities, by which of course we mean perpetual annuities, or at least for life and well secured, we turn to wages, to incomes dependent upon the continued earning-power of those who receive them, the practice of using credit to spend the wages coming in sets at defiance the plainest rules of good conduct. It is to be utterly regardless of all provision against becoming a burthen upon others, against exposure to temptation beyond the powers of resistance, and against inability to perform satisfactorily the most tender, the most sacred, and the most urgent of duties.

P. Do you condemn all use of credit for the purpose of expenditure?

B. We cannot do otherwise, understanding that the acceptance of credit simply to avoid inconvenient frequency of payment is not to be included in our condemnation. But in pressing this question upon us, you ought not to suspect that we can have forgotten our former condemnation of the very same practice. It was agreed that labourers ought not only to refrain from consuming future wages, that is, from borrowing for the purpose of expenditure, but to refrain from consuming the whole of the wages actually received; that since future wages have greater charges awaiting them than it is probable they will be able to bear, they must be strengthened by savings from past and present wages, and not weakened by consuming a part of them through the use of credit.

P. The use of credit for the purposes of expenditure being utterly condemned, and understanding that henceforward we are limiting our inquiries to the acceptance of credit as a

means of production ; when credit is given, what may we say is taken by those who trust, in place of the money which, without trust, would be paid to them ?

B. A promise to pay.

P. Are promises to pay, as substitutes for present payment, made so as to appoint definitively the future day of payment ?

B. They are made in a variety of ways ; payment being deferred sometimes for a few days, sometimes for months, and even for years. When the day is not fixed, there will be an understanding that payment is not to be deferred beyond some time tolerably well known without being expressed.

P. Are you prepared to state at what times payments ought to be made, whenever credit is taken ?

B. We need not hesitate to answer, on the days appointed, whether expressed or implied. Supposing the use of credit to conduce to the most profitable employment of capital, any want of punctuality or fidelity in fulfilling engagements will tend to restrict its use, and so far to prevent the most advantageous application of capital.

P. Can you show me, by some example, how a want of punctuality in making repayment of loans may prevent the distribution of capital in the way most likely to lead to its profitable employment.

B. A capitalist who makes it his business, or part of his business, to lend capital, is always on the look out, in common with other men engaged in industrial pursuits, to place it as profitably as possible. His special desire, for this purpose, is to meet with the most suitable borrowers. His capital may be out on loans repayable at different periods, at the end of a week, of a month, of a year. He could not arrange or contract beforehand to make loans to others, unless sure of being punctually repaid himself.

P. When people take credit for the commodities which they buy, what use do they make of these commodities ?

B. They employ them in their business. They sell them again, or manufacture, or export them.

P. How can they make sure of being able to fulfil their engagements, parting thus with the commodities which they have purchased, and not having the money, as may be presumed, at the time of purchasing?

B. It is not to be expected that we, with our limited knowledge, should be able to explain how they are to do it. But we know, and therefore may say, that they ought to do it. They are not compelled to take credit; and if they take it, they ought to feel as sure of having the means of paying, as they are that they will be called upon to pay at the time appointed.

P. There is reason in what you say. You cannot, at your age, be sufficiently familiar with the details of any business, especially if complicated by the use of credit, to be able to point out the precautions by which all danger of inability to fulfil engagements is to be guarded against. But you can appreciate the principles which ought to be observed, and judge of the characters of the merchants and others engaged in business according as they trifle with, or religiously respect, those principles. Let us take the case of a shop-keeper who, with a stock of 1,000*l.*, and capital enough besides to pay wages and other current expenses, and a ready-money trade of 200*l.* a week, might form the opinion that if he were to double his stock and at the same time extend and improve his assortment, he would probably also double his trade. Feeling his way cautiously, he begins to increase his purchases by accepting one month's credit, and eventually raises his stock to 2,000*l.* and his ready money trade to 400*l.* a week: could you form any opinion of the prudence, and hence of the morality, of his thus accepting credit?

B. It seems to us that he would be safely within the bounds of prudence. He would owe 1,000*l.*, and be in the receipt of 400*l.* a week. The slightest derangement in his trade would warn him to reduce his weekly purchases below his weekly receipts, and, if necessary to bring down his stock to a level with his capital. Whereas, if his trade continued as flourishing as when he began to buy on credit, his extra profit, combined with

economy, might at the end of a few years make him the possessor of double his original capital, and cause him to relinquish the use of credit, or still further to extend his business.

P. Suppose, while taking credit himself, he were to give credit to his customers: is not that another means frequently resorted to for the extension of business?

B. Giving credit, evidently adds to the danger of accepting credit. The party who does both is not warranted, with all his vigilance to ascertain the characters of those whom he trusts, in relying exclusively upon the fulfilment of all the promises made to him for the means of liquidating the liabilities contracted by him to others.

P. Which do you consider the more dangerous, giving or taking credit?

B. Taking, of course. No man becomes bankrupt by giving credit. He may sustain serious losses; but so long as he owes nothing, he can only ruin or damage himself and those dependent upon him. Nevertheless, giving credit incautiously, is not to be looked upon as a trivial offence. It is, to say the least of it, to place the means of doing mischief to themselves within the reach of the thoughtless and inexperienced, and to provide encouragements and opportunities for recklessness and dishonesty. Moreover, the person who gives credit, as well as takes it, if he be not circumspect in his dealings, is really giving credit on the security, not merely of his own capital, but of that which has been trusted to him by the parties from whom he accepted credit: a proceeding for which we are unable to find a justification.

P. If from tradesmen we turn to merchants—especially merchants whose business is with distant parts of the world, we find that, although they might contrive not to take credit, they can scarcely avoid giving it. If exporters, their merchandise must be trusted to the merchants to whom they consign it. If importers, they will have to trust the money with which their orders are to be executed abroad. If both importers and exporters, it would still be impossible for them not to trust their

property in some degree to others. Credit may be given beyond what is absolutely necessary. But even where the granting of credit is restricted within the narrowest limits, all the dangers attached to placing trust in others are incurred here. What thoughts suggest themselves to you in regard to merchants who, besides trusting in this manner and giving credit, take it also ?

B. We can do little more than express how deeply we feel the need of intelligence and circumspection to qualify people for engaging in business fraught with so much risk. To what extent credit ought to be taken in proportion to the capital, and what allowance should be made for possible disappointments, before counting upon debts receivable for the discharge of debts payable, it is beyond our capacity to judge. That credit should not be accepted for more than a certain amount in proportion to the capital, and that the credit accepted should be still further contracted where credit is given, we can see. We take it for granted that the merchants who accept credit intend to obey the rule of incurring no liabilities without providing that the means to liquidate them shall be forthcoming as punctually as the claims will be presented.

P. In accepting credit you will observe that the debt, whether incurred by loan or by deferring payment for commodities purchased or estimated in money, is at the appointed time to be paid in money. The merchant's object, however, in taking credit is to obtain possession of commodities wherewith to trade. Buying commodities on credit, or buying commodities with borrowed money, he may equally be looked upon as borrowing in one denomination and promising to pay in another. He cannot pay his debts except by the sale of commodities; and one of the uncertainties of his trade is the price, or quantity of money, which he will obtain for his commodities. Is not this an element of risk in the use of credit sufficiently important to call for special attention ?

B. It certainly appears to us to deserve all the attention that can be bestowed upon it by the most experienced and

cautious of merchants, supposing them to venture upon accepting credit at all.

P. I am glad to see that the dangers inseparable from the use of credit have made a deep impression upon you. To be aware of the danger of accepting credit, and to be resolved not to encounter it until armed with the intelligence and ability to guard against it, is already to have accomplished more than half of what is necessary in order to reap in security the profit with which the judicious use of credit is fraught. I should like you to have an opportunity of examining some of the elements of danger in the uses of credit, so that their features may be familiar to you. Distance of place, principally as involving length of time and uncertainty of communication, may be noted as an element of danger. Does the nature of the commodities in which a merchant trades appear to you to have any bearing upon his security?

B. If the commodities in which he traded were perishable, and if besides they were subject to great fluctuations of price, the danger attached to use of credit must be considerably enhanced. Occasional instances of large extra profit will, no doubt, with good management, compensate for occasional heavy losses.

P. Why, then, should there be more danger from using credit to merchants trading in those commodities than to merchants who trade in commodities less perishable and less subject to fluctuations of price?

B. There is not really more danger to the merchant thoroughly acquainted with the conditions of its safe use and practised in complying with them. But there is greater exposure to danger, if the requisite intelligence and caution and conscientiousness are wanting. Two merchants, one importing silver and the other rice, would be exposed to very different fluctuations in the proceeds of their importations. The first might always calculate within 5 per cent. what silver would realize. Whereas rice, under the combined influences of condition and season, might at one time yield to the second a profit of 100 per cent., and at another be unequal to repay the expenses of importation.

P. Might I put the case of your two merchants in this way—that, granting each of them to have a capital of 10,000*l.*, it would be imprudent in one to have, by means of credit, 20,000*l.* of rice at risk at a time, while it might be prudent in the other to have 100,000*l.* of silver?

B. We can readily conceive that some such distinction in the use of credit ought to be observed by two merchants so differently circumstanced. And although it is desirable that all merchants should possess the qualifications to enable them to manage their business with safety to others as well as with profit to themselves, it is plain to us that any want of the requisite qualifications is much more likely to be brought to light, and to lead to ruin and disgrace, when the commodities bought on credit are subject to great fluctuations of price.

P. If I do not misinterpret your views, you lean to the opinion that the use of credit ought to be adopted to a very limited extent by merchants who, besides dealing in perishable commodities, import them from great distances.

B. That certainly is our leaning, because to bear the occasional heavy losses to which such importations are exposed, the capital and accumulated profits ought not to be much less than the value of the merchandise at risk. Credit thus restricted is almost nominal. It partakes of the character of that which is taken by a housekeeper who pays his bills weekly merely for convenience sake.

P. Had you any special reason for adding “conscientiousness” to the intelligence and caution which you say are indispensable to admit of the use of credit without danger?

B. We were thinking that men who are not held to be wanting in either intelligence or caution might, if unscrupulous, make use of credit so largely, that their ventures, if successful, would bring large profits to themselves, while, if unsuccessful, the losses would fall upon others.

P. You cannot surely expect me to believe that a man may be intelligent and unconscientious at the same time! Will you

illustrate your meaning by an example, to assist me to judge how far I can agree with you ?

B. We are as fully persuaded as you are that an unconscientious man cannot be intelligent in the widest and, therefore, in the true sense of the term ; but he may be in a popular though narrow and, therefore, false sense of the term. We might illustrate our meaning by the example of a merchant who, with very limited capital, but in a position to obtain credit to a great extent, should purchase largely, previous to the gathering in of a crop—whether of grain, or cotton, or fruit. His sagacious prognostications, concerning the probable badness of the crop, are borne out by the result. He realises a large profit. Had his expectations been thwarted by some unlooked-for change in the weather, the loss would have fallen upon those who had incautiously trusted him. His use of credit was not the less unconscientious because he gained. It is to guard against the interpretation of intelligence in a narrow and false sense, that we say intelligence and caution must be accompanied by conscientiousness to enable the benefit of credit to be enjoyed in safety. We would rather that conscientiousness were held to be an essential ingredient of intelligence.

P. Is the same caution needful in the use of credit by the manufacturer ?

B. Unless he combine mercantile with his ordinary business, he need only calculate and prepare for the fluctuations of prices during the time required for manufacturing processes—between the buying of the raw material and the sale of his fabrics. His exposure to-risk may be less than that of the merchant in some respects, while greater in others. His factory, with all its machinery and appurtenances, the fixed capital or plant, as it is sometimes called, forms a large item in his capital. Should he have borrowed on the security of that part of his capital, and, besides, purchase his raw material on credit, and, for the sake of extending his sales, give credit on what he sells, we could not say that his danger might not be fully equal to that of the most adventurous of merchants. Having organized

works on a scale greatly out of proportion to his capital, a fall in the price of the finished fabric weekly turned out from his factory might involve him in loss far beyond what his capital would enable him to bear. He cannot extricate himself so readily as the merchant from the difficulty of his position. The merchant when he begins to suspect danger discontinues his purchases. But a manufacturer's suspension of purchases means suspension of profit from all that part of his capital which is immovable, and on which, if he have borrowed, he must pay interest.

P. There are some manufacturers who, instead of owning their factories and machinery, pay a rent for the occupation and use of them. Is not this a safer arrangement than that of borrowing capital on the security of their own capital fixed in them?

B. The undertaking to pay rent for a term of years, with an engagement not to be dispossessed of the premises and machinery during that term, and a loan of capital for the same term on their security, with an engagement that the loan shall not be called in before the expiration of the term, appear to differ little the one from the other, as regards the fixed liability imposed upon the manufacturer. In either case, he becomes responsible for the payment of a fixed annuity, whether he earn a profit or sustain a loss. It must not be overlooked that this annuity, although intended by him to be paid out of the profit which he expects to earn, is secured upon the capital, making it all the more urgent that the acceptor of the credit should be master of the intelligence, aptitude, and energy requisite to make his prospective profits all but certain, tempered with the caution to prevent his being crushed by exceptional or temporary losses and disappointments.

P. Carriers by land and water, among whom, as the two largest classes, may be mentioned railway proprietors and ship-owners, are also acceptors of credit—sometimes on a tolerably large scale. Do you know of any great dangers to which they are exposed from the use of credit?

B. Danger depends at all times more upon the character

and management of the borrower than upon the line of business in which he is engaged. A railway company which can earn 6 per cent. upon the whole capital embarked, and borrows one-half of it at 4 per cent., is able to pay a dividend of 8 per cent. upon that half which is its own, bearing in mind that it is responsible for the whole of the risk. Another company which should find itself unable to earn more than 8 per cent. with the same proportion of debt at 4 per cent., would be reduced to a dividend of 2 per cent. for its own proprietors. If the earnings were to sink to 2 per cent., they would be entirely absorbed by the payment of interest on the debt, leaving the proprietors dividend-less. The shipowners' business seems more exposed to vicissitudes than that of the railway company. Supposing the profits to be the same on an average of years, the earnings of each year might vary considerably, chequered by periods of loss sufficiently protracted to test the precautions of all who are accepting credit.

P. We have been talking of a great number of businesses, conscious that we are unacquainted with the details of them. Do you think, nevertheless, that you can make out any principles which, if reduced to rules or precautions for avoiding danger while earning profit, ought to be observed by all who use credit or become borrowers?

B. The rules or precautions which ought to be observed, so far as we can judge, resolve themselves principally into considerations of the time stipulated for repayment of the sums borrowed, and of the limit which ought not to be exceeded as regards the proportion of the capital owned to the credit accepted.

P. Will you specify the conclusions which you think may be formed under both these heads, beginning with that of time?

B. The time at which an acceptor of credit engages to repay the money which he borrows should not be earlier than that at which he is assured it will be at his disposal for repayment. This rule is neglected by those who borrow money,

say for a year, and apply it in such a way, say in deep-draining or in erecting improved buildings and machinery, as that, however profitably employed, it could not be at their disposal in the form of money in less than five years. They depend upon being able to renew their loan or to borrow elsewhere at the end of a year. They run the risk of placing themselves entirely in the power of their creditors. The same fault would be committed by a shipowner, who, borrowing for a short time, expended the sum borrowed upon a ship bound for a distant voyage, the freight of which could not be looked for till a year after his debt became due.

P. And, next, as to the proportion which the amount of credit accepted ought to bear to the actual capital?

B. This, we have seen, may be larger in some businesses than in others. The rule to be observed by all who would be honest as well as safe, while seeking to earn profit, must be to incur no responsibilities, the possible losses from which might be heavier than their capitals could sustain. The justification for borrowing at all is the probability, approaching to certainty, that profit will be earned through the loan. The limit which ought to be self-imposed upon the borrower is not to hazard other people's capital in quest of profit for himself to such an extent that his own capital will not enable him to sustain the whole of any loss that can possibly accrue. To expose the capital of others beyond that limit without their consent expressly given ought to deprive him who is guilty of so doing of any title to the character of an honest man.

P. In the arrangements for borrowing and lending, the credit given is in very many cases entirely personal; the standing of the parties trusted, as regards character and capital being supposed to justify a reliance upon the punctual payment of the debts incurred. In others, a lien is given by the borrower upon some portion of his capital to secure the lender against loss from his debtor's insolvency. The lender of the money, in these cases, has some portion of the land, buildings, ships, or merchandise vested in him by the borrower

to whom they belong, with right to discharge immediately should the contract not be fulfilled by the principal payment of interest and principal. The terms on which loans are contracted assume every variety of form. Loans are even made for as short a time as a day; and when made in behalf of the treasury, of cities and parishes, and of some of the great railways and other public companies, the payment of interest in perpetuity is alone stipulated, and no payment is made for repaying the principal. Of this latter kind of loan we will talk hereafter. I call your attention to it now merely that you may be acquainted with the wide range taken in borrowing and lending, from one day to an unlimited number of days. Speaking of loans in general, as made for shorter or longer terms, which of the two should you expect would be ventured on personal security, and which would only be made if guaranteed by a loan on some description of property?

B. We should expect that the shorter the period for which the loan was made, the more likely would the lender be to trust to personal security. It must be much easier to judge whether a party whom you believe to be trustworthy will be solvent a few days, or a few weeks forward, than after the space of as many months or years.

P. Another diversity of practice prevails in the arrangements between borrowers and lenders, especially where the credits are for short periods. The amount and time of payment being settled, the engagement to pay is sometimes made in writing, at others it is tacitly implied to follow in some usual course of trade. When the engagement to pay is reduced to writing, it is generally in the form of an order made by the seller on the buyer requesting him to pay to him the seller or to his order, so many days after date, the sum expressed. That there may be no misunderstanding, this order is, in the commercial language, accepted by the buyer, which means that he acknowledges the debt, and engages to pay it at the expiration of the days stipulated. I dare say you know the sum which is given to such an order as I have described, and

also the names attached to the different people who become parties to the order ?

B. This kind of order is called a bill of exchange. The creditor or seller on trust who adopts this mode of obtaining payment is called the drawer. The debtor or buyer who acknowledges his debt and engages to pay it is called the acceptor. And where the bill passes through several hands previous to its liquidation, each party who writes his name on the back is called an endorser.

P. You are anticipating a question that I was about to put concerning the ways in which these bills of exchange are used. When the drawer has obtained the acceptance of his debtor, or when he has drawn the bill in the confidence that it will be accepted, does he sometimes pay it away to a creditor of his own ?

B. Yes : and in this way it may, like money, be made to assist in liquidating many debts. Besides the security of the acceptor, each party who receives the bill has the security also of all the endorsers who have preceded him, he in his turn giving his security to those who follow him.

P. Do you mean that bills of exchange are received as money in payment of debts ?

B. We mean that they circulate from hand to hand in settlement of accounts and liquidation of debts ; but every debtor remains liable to the creditor whose account he settles with a bill, until that bill has been paid.

P. Subject to that liability, may bills of exchange be considered as substitutes for money ?

B. Partially only, inasmuch as allowance must be made in the shape of interest for the time to elapse till the bill becomes due. But they afford facilities for borrowing and lending, and for purchasing on credit ; and thereby may be said to co-operate with money in liquidating debts.

P. Can you explain how bills of exchange are made to do part of the work of money, for that I take to be your meaning when you say that they co-operate with money ?

B. We may suppose a merchant to have made numerous

sales on credit, and to have in his possession, as the fruits of them, numerous bills upon other merchants, due in one, two, three, four, five, and six months. These bills have so far done the work of money. He wishes, in his turn, to make some purchases. He selects the commodities, settles the prices, and then negotiates the payment. If the sellers consent to take his bills, the use of money is again dispensed with. The sellers, however, might require money, or they might fear to trust him for the whole amount of his purchases. The bills of exchange in the buyer's possession give him a choice of two ways of meeting the wishes of those from whom he is purchasing. He may part with some of his bills to them, finding them willing to receive bills of exchange in part payment of his purchases. Or he may borrow money from others on the security of these bills, and pay for his merchandise in cash.

P. Does it appear to you that the merchant who uses his bills of exchange in this way is a borrower?

B. He is as much a borrower when he receives merchandise or money in exchange for his bills, as he is a lender when he receives bills in payment for his own merchandise or money; and he owes it to himself and to others to exercise all that caution which is called for by the double process of taking and giving credit.

P. Supposing bills of exchange to inspire the fullest confidence, are they always taken with equal readiness instead of money?

B. Something else besides the goodness of the bill has to be taken into consideration before that question can be answered. An unexceptionable bill of exchange will be taken as readily as money, provided a deduction be made for interest proportioned to the time which has to elapse before the bill becomes due. Assuming the current rate of interest to be 4 per cent. per annum, a bill of 1000*l.*, if due in six months, would be equivalent to 980*l.* cash, if in three months to 990*l.*, and if in six weeks to 995*l.* cash.

P. When it does not suit sellers to receive payment except

in cash, you said the would-be purchasers on credit might obtain money for their bills from other parties ?

B. It is well known that there always are people on the look out to earn interest by making loans on good security, just as much as there are others who want to borrow and are prepared to pay interest on what they borrow. Unexceptionable bills of exchange afford a most convenient medium for borrowing and lending.

P. When the holder of bills of exchange disposes of them for money, is there not a name which is sometimes specially applied to the transaction ?

B. He is said to discount them. There is this advantage attached to the security of a bill of exchange : the holder of it knows that as it approaches maturity it becomes more and more an object of desire with those who wish to lend. When, therefore, he receives or buys or discounts a bill at six months date, he knows that, should he wish to sell or discount it a few weeks before it becomes due, the rate of interest which he will have to pay will most likely be lower than what he received on taking the bill ; the opportunity of making loans on good security for short terms being generally much sought after.

P. Does not the use of bills of exchange, besides affording a medium for borrowing and lending, introduce a great convenience and saving in commercial dealings, especially in those between distant countries ?

B. It does. If the use of bills of exchange had never been thought of, there would be no alternative but sending money to and fro on each occasion of an import and export of commodities, or reverting to barter in the place of buying and selling.

P. I should like to hear you explain how bills of exchange are made to take the place of money in buying and selling. The trade between two such countries as England and Australia is well fitted to furnish examples of the manner in which this is done. The two countries are distant from each other. And, as the money circulating in both is of the same denomination, you will be spared the necessity of showing how money of one

denomination is brought to pay debts contracted in money of another. Let us first see how the trade between the two countries would be conducted if there were no bills of exchange?

B. To begin by putting the matter in its simplest form, we may suppose the principals in the trade to reside in one of the countries—say in England. The exporting merchants would send out manufactured goods, and receive back their value in sovereigns or in uncoined gold of like weight, and the importing merchants would send out sovereigns and receive back wool.

P. Is there any occasion even for bills of exchange to avoid sending gold to and fro in a form of trade so very simple as the one that you have selected? Might not the exporting agree with the importing merchant that they would settle accounts with each other?

B. That might be done by a system of barter such as prevails in the African trade, where manufactures and gunpowder are exchanged for palm oil, ivory, and ground nuts. But you do not mean us to refer you to that. Excluding all thoughts of mere barter, we do not see how accounts between exporters and importers can be settled without bills of exchange if money is not to be transmitted to and fro. It must not be forgotten that the wool has to be bought and paid for in Australia, and the manufactured goods to be sold there, not to the same, but to very different sets of people. To avoid the transmission of money, authority must be given by the exporter of manufactured goods to his correspondent in Australia to pay over the money which he will receive, or so much thereof as may be needful, to the buyer and exporter of wool there, to enable him to pay for the wool; and that authority or order is a bill of exchange, or tantamount to one.

P. Bills of exchange or authorities or orders to pay being the only ways of saving the expense of sending money by all who would import, and of procuring money from abroad by all who export, will you explain how they are used for this purpose?

B. The English exporter wanting to obtain payment of the

money which his merchandise has produced in Australia draw a bill on his correspondent there. He sells this bill to his neighbour who wishes to buy wool in Australia. The purchaser of the bill sends it out to his correspondent in Australia, who presents it for payment, and receiving the money applies it to pay for the wool which he has purchased. Thus debts are paid, wool is imported, and manufactured goods are exported, and no money leaves either country.

P. Might it not happen that the values of the imports and exports will not balance each other? That, for example, while the value of the exports during the year was 15,000,000*l.*, that of the imports was no more than 10,000,000*l.*?

B. Something like this does occur in our trade with Australia, reckoning their gold not as merchandise but as money. And accepting your figures, the payments, as far as 10,000,000*l.* of exports and the like value of imports are concerned, would be settled by bills of exchange, while 5,000,000*l.* of the exports would be paid in gold coined or uncoined.

P. In buying and selling bills of exchange, is it found that the money for which the bill sells always corresponds with the sum for which it is drawn?

B. If by corresponding, you mean is exactly the same as the sum drawn, it does not; but it is so far proportioned to the sum drawn that the values of bills of exchange, differing in no other respects, will be proportioned to the sums for which they are severally drawn.

P. What are the circumstances, then, which will cause bills drawn for similar amounts to vary in value?

B. Buyers of bills might be more confident that one bill would be paid at maturity than they could be of the payment of another. Even where buyers should feel no great uneasiness about the eventual return of their money to them, their object in buying bills being to discharge debts, or to provide funds for making profitable purchases, the extent of the difference that they would make for perfect security can be more easily imagined than measured.

P. Are there any other circumstances which may affect the values of bills?

B. The terms for which they are drawn. Suppose two bills of exchange for 1,000*l.* each to be drawn upon Australia, one at six months' date, the other at three months, the rate of interest in Australia being 8 per cent. per annum, evidently a purchaser would give 20*l.* more for the shorter than for the longer bill.

P. Would no other circumstances affect the values of bills?

B. Something would depend upon their being greatly in demand, or the reverse; or whether the supply of bills was larger or smaller than usual. But the supply of bills as compared with the demand would not affect the relative values of different bills at any given time. It would rather determine the relative values of similar bills at different times, according as the supply and demand of bills fluctuated.

P. Can the demand for bills ever be in excess of the supply?

B. Yes, when the value of the imports, or of the preparations for import, exceeds that of the value of the exports.

P. Can the supply of bills ever be in excess of the demand?

B. Yes, when the value of the exports exceeds that of the imports.

P. Did we not agree, when the value of the imports exceeded the value of the exports, that the balance would be paid in gold; and when the value of the exports exceeded the value of the imports, that the balance would be received in gold; and that thus, in either case, an equilibrium of values would be established, or, in other words, supply and demand would satisfy each other?

B. We did. But that will not prevent the necessity of paying or receiving a surplus of value in gold from producing its effect.

P. What effect are you referring to?

B. People in England, who owe money to people in Australia, in their anxiety to save some part of the expense of sending money thither, would offer, if necessary, to give something more

than 100*l.* for a 100*l.* bill. Or if people in England had debts to collect from Australia they would gladly take, if necessary, something less than 100*l.* for a 100*l.* bill, to escape the expense of bringing the money.

P. Do you know what name is given to the excess above 100*l.*, that is paid for a bill of 100*l.*, or to the deficiency below 100*l.* which is taken for a bill of 100*l.* ?

B. It is called the rate of exchange ; and according as the money paid for a bill corresponds with its amount, or is above or below that amount, bills are said to be at par, or above or below par.

P. Is the range of fluctuation in the rates of exchange as great as that in prices ?

B. No. Fluctuations in rates of exchange, making separate allowance for the term at which the bill is drawn, and for want of confidence in the parties to the bill, are limited, or nearly so, by the expenses at which money might be transmitted to liquidate the debt. If a person could send 100*l.* to Sydney at an expense of 2*l.*, he would hardly give much more than 102*l.* for a 100*l.* bill ; nor if he wanted to collect 100*l.* due to him in Sydney, would he take much less than 98*l.* for his own bill of 100*l.* on Sydney.

P. I have known occasions, although I admit that they are and must be of rare occurrence, when gold was to be seen going backwards and forwards at the same time, as a means of accomplishing the purposes of importers and exporters. Can you conceive why so expensive, and apparently wasteful a proceeding should be resorted to by merchants, who, from their position, must be gifted with more than ordinary intelligence ?

B. We certainly cannot attempt even to guess why sensible men should submit to be drawn back into a practice long ago abandoned, and which has been superseded by another more suitable in all respects.

P. If, in some remarkable concurrence of circumstances, a London merchant, dealing in corn, or cotton, or tea, or silk, thought he could see his way clearly to a profit on their

importation of between 50 and 100 per cent., and at the same time felt misgiving as to the solvency of the parties who were prepared to sell him bills of exchange, or of the parties abroad on whom the bills were to be drawn, what do you suppose he would do ?

B. He would, of course, send the money or the metal constituting the money of the country where his purchases were to be made. The expense of its transmission would be small in comparison with the loss and disappointment to which he might be exposed through the non-payment of the bills paid for and remitted to enable his correspondent to execute his orders.

P. And if the merchants in distant countries were similarly circumstanced in regard to the manufactured articles which they wished to import from England, what would they do ?

B. They would also send money to make sure of receiving the merchandise which they were desirous of importing.

P. To what, then, would you attribute that apparent suspension of common sense exhibited in the spectacle of large sums of money crossing one another at immense cost and inconvenience to their owners ?

B. To a fear lest the money needful for the fulfilment of their orders might not be forthcoming through the bills of exchange obtainable by them for remittance. To the fear of a loss so great, that the expense of sending money sinks into insignificance at the side of it. To a suspension of confidence—of that upon which bills of exchange and all other forms of borrowing and lending must rest.

P. On some future occasion I will call your attention to the arrangements and contrivances which have been adopted to avoid suspensions of confidence, and the losses and inconveniences to which such suspensions give rise. Meanwhile, it is good for us to see the confirmation of those conclusions already formed, and to recognize—if we would enjoy all the benefits which the practice of borrowing and lending can place at our disposal—how indispensable it is that trustworthiness should widely prevail in company with intelligence.

ON BANKING.



P. If any confirmation had been required of the importance of a general prevalence of fidelity in the performance of engagements combined with intelligence in forming and completing them, we had it, I think, in our last conversation. The extent to which credit is used is in itself a proof that conscientiousness and intelligence are not rare qualities among us. On the other hand, the calamitous consequences of a lack of those qualities, which are perpetually paraded before our eyes in the reports of the Bankruptcy and other courts of law, cannot but incline us to consider whether those calamities might not be reduced henceforward in number and severity. They lead us, also, to suspect that, great as are the advantages which we derive from the judicious use of credit, they would be much greater if many cautious men were not deterred both from giving and taking credit by their inability to protect themselves against those who are disposed to use it ignorantly, incautiously, and fraudulently. Our main reliance for diminishing and, if possible, extinguishing the ignorance and unconscientiousness, in which misuse of credit originates, must be the better teaching and training of the young, for which, on other grounds, we have so often admitted there is need. Meanwhile, as we might be assured, the less timid and more enterprising portion of mankind have not been thoughtless about contrivances for securing themselves against loss from misuse of credit by those with whom they are induced to deal, while anxious not to relinquish altogether the use of so powerful an instrument of productions &

credit is perceived to be. Parties can scarcely avoid giving credit—even where they conduct their business on the principle of taking none. The purchase of a bill of exchange presenting at sight involves a granting of credit, however slight it may be. What precautions can you conceive it to be possible to take by which credit may be given with as little risk and inconvenience, there will be felt to be in this as all?

B. The precautions which present at seeing others who are intent upon giving credit can be taken more than sufficient to ascertain, if not already known, whether the parties to whom it is proposed to grant credit really deserve it: to give it to them if they do, to withhold it from them if they do not.

P. When people lay themselves out for making credit, is it a matter of indifference to them whether other people are disposed to give it to them or not?

B. It cannot be. They only take it, because they wish to have it.

P. If parties who wish to give credit will only give it when they can feel quite secure, and as parties who wish to take it can only obtain it by inspiring confidence in others who are disposed to give it, are these last parties likely to do anything, and what, to inspire this confidence, and to secure the credit which they seek for?

B. They are likely to act as other persons act who devote themselves to some particular method of earning an income under the general arrangements that have grown out of the adoption of division of labour.

P. How is this?

B. Either to follow up some old established business which has been found to answer, or, anticipating some new want or some better method of supplying it, to make known to the public the services which they are prepared to render.

P. The want felt, as just stated, is to give credit as a means of earning profit, to repose trust free from any risk that the credit is not fully deserved—that the trust will not be abused. What must be forthcoming in order to supply this want?

B. Establishments prepared to borrow and accept trusts, and so organized as to inspire confidence that all the trusts accepted will be faithfully performed.

P. What do you mean by establishments ?

B. Associations of capitalists—companies of partners, joint-stock companies.

P. What are the essentials to be attended to in the formation of such establishments ?

B. A large capital; and partners and directors of well-known respectability and capacity, retaining in their employment servants who will not only do the work assigned to them, but will, besides, impress the public with a sense of their efficiency and desire to be useful.

P. Are there any such establishments, and what are they called ?

B. They exist in numbers, and are known by the name of banks.

P. What are the services which banks undertake to perform ?

B. To take charge of money, documents, deeds, and occasionally of other things small in bulk compared with their value; to deliver them up on demand, as they may be asked for from time to time; and to collect money due to their customers on bills of exchange, and make payments for their account out of the money held on deposit.

P. It does not appear to me that any capital is required for the performance of these services.

B. Nor is there. The capital is required to inspire confidence, without which customers would not be attracted. Having the capital, they employ it as a matter of course, to earn profit. This they might do without being bankers. The foundation of banking business is ability to inspire confidence—to obtain credit. A banking establishment must be set out with a view to inspire confidence. As shops are set out with a view to advertise that tea, sugar, pastry, boots and shoes, &c., are to be had in them, so banking establishments should notify where credit may be given without risk.

P. In London are established the Bank of England and a large number of joint-stock banks and banking firms; every large town in the kingdom has its banking establishment; and some towns have many, besides branches of the Bank of England. It being the purpose of these establishments to take credit and, as one form of taking credit, to give bills of exchange for money, to whom should you expect the public would apply for the purpose of obtaining bills wherewith to discharge their debts or make their payments elsewhere?

B. Generally to some of those banks, so as to make sure that the bills will be as effective in liquidating their liabilities as if the money were transmitted for the purpose.

P. In order to examine the transactions between the public and the banks in their simplest forms, you may take as an example a bank which has branches. Can you give me some idea how they would work together?

B. Every week the bank might sell bills on each of its branches for 100,000*l.*, and each branch, on its side, might sell bills for the same amount on the bank. The money received for the bills drawn would serve to pay the bills presented.

P. Is it to be expected that transactions will often balance one another so exactly?

B. Perhaps not, and where necessary money might be transmitted from the chief bank to the branches, or *vice versâ*, or from one bank to another. The small surplus of money received above that disbursed, or of money disbursed above that received, in any one week or month, would mostly be followed by a surplus in the opposite direction. The occasions where the quantity of money needful for the circulation of commodities has to be increased or diminished in any town or district are rare; and the money in motion from town to town to restore an equilibrium of values between the merchandise sent out and the merchandise brought in forms a small percentage upon the value of the merchandise dealt in.

P. Are the public less efficiently served, think you, where there are no branch banks?

B. No. Where the bills drawn on a bank exceeded in amount the bills purchased of it, in any one week or month, it might be felt that the current would set in an opposite direction in the next week or month; hence a holding back of the transmission of money which would otherwise be made. Or there would be a balance to obtain payment for elsewhere; and as payments and receipts are principally made through the banks, the fluctuating balances between the different banks might be settled among themselves with very little movement of money.

P. The granting of bills of exchange is a small part of the services rendered by banks to the public. The taking care of their money is another part. With the improved methods of conducting business in our times, it may be said to be the most important part. Before you can thoroughly understand the importance of this service, you ought to be in possession of the state of industrial proceedings out of which the call for it has arisen. Is it a fact that large sums of money are received by banks for account of their customers?

B. This is notoriously the case.

P. On what conditions are these deposits of money held by the banks?

B. One condition is that any portion or the whole shall be delivered up on demand. If we are rightly informed of the course of business between banks and their customers, it is that the banks pay all the drafts or cheques drawn upon them, and receive all the moneys paid into them by their customers; the larger part of the drafts drawn upon them being presented by other banks, and the larger part of the money paid into them being by drafts on other banks. In those cases where payments are made by some to others of their own customers, they simply have to debit some and credit others of their customers, according to the cheques on themselves paid in: the sum of money at the bank's disposal being neither increased nor diminished by such cheques, whatever their number and magnitude.

P. What would be the position of the customers of banks, if there were no banks ?

B. They would have to pay and receive without the assistance of banks, and in money.

P. Does the establishment of banks with a view to do this work supply a want really much felt ?

B. We may say yes, judging by the number of banks and the eagerness with which they are resorted to, especially by merchants, traders, and manufacturers, who would, without bank services, have to employ extra clerks to collect, to count, and to pay away money.

P. Besides the collecting, counting, and paying of money, would people be obliged always to keep money on their premises ?

B. They could scarcely feel sure of being able to meet all the calls for money on them, if they did not keep some in reserve.

P. Are there any other reasons that occur to you why a fund of money should be kept in hand or at call by most persons in business ?

B. There are wages and charges to be paid, and it is generally thought to be desirable to have money at command to seize any opportunity considered favourable for making purchases.

P. Might not an occasion of this latter kind be met by purchasing on credit ?

B. Purchases can seldom be made at the lowest prices except with ready money. But the use of credit introduces a still stronger reason for keeping in hand a sum of money, and which should be larger or smaller according as credit is much or little used. A merchant who has bills falling due upon him at the rate of 1,000*l.* a day, and money payable to him by bills and otherwise at the same rate, would scarcely like to have less money in hand than 2,000*l.* to guard against casual disappointments, and to give him time to provide money, if needful, from other resources. A prudent trader who takes and

gives credit, acts upon this principle : " My own engagements *must* be paid, while all the engagements which I hold upon others *may not*." Hence the necessity of money in hand by all persons in business, not less but more where credit is taken, and the greater according as the credit taken is greater.

P. Will you now recapitulate the services which banks profess themselves ready to perform for the public ?

B. To provide safe keeping for the money and documents confided to them, making themselves responsible for this safe keeping, to hold them on the condition of delivering them up on demand, to make all payments ordered or authorized by each customer within the limits of the money deposited with them by him, and to receive all money, drafts, and accepted bills of exchange, which he pays in to them, and collect the amounts of these latter from the parties who have made themselves responsible for their payment, and credit his account with the same. To these services may be added the one first mentioned, the supplying of bills of exchange or letters of credit which may be relied upon with as much confidence as money itself.

P. Have you not introduced a new term, " letter of credit ? " In what respect does this differ from a bill of exchange, or is it the same thing under a different name ?

B. It is not a bill of exchange, although it serves the same purpose in what is considered a more convenient form on particular occasions. A merchant may be of excellent standing among his neighbours, and yet fail to inspire that enduring and all but universal confidence which attaches to a well-established bank. Wishing to make purchases at some distant port, say in China, and knowing that his correspondent might have some difficulty in obtaining money to reimburse himself for his outlay by selling bills of exchange drawn upon him, he obtains from a bank authority to draw upon it, or its guarantee for bills drawn upon him. Provided with this means of inspiring confidence, he feels secure that bills can be drawn, money raised by the sale of them, and the purchases effected

which he requires for the working of his business. The bank is careful to be possessed of securities corresponding to the obligations which it incurs on account of its customers.

P. Capitalists once associated in a bank to perform services like these, there can be no difficulty in understanding that customers will be attracted to them. But what is their object in preparing themselves to confer such benefits upon society?

B. The same object which induces other capitalists to engage in other industrial pursuits—profit.

P. The expense which they are at to do their work efficiently is notorious—witness, their substantial and handsome premises, their large staff of cashiers, accountants, and clerks. What are their charges which, after defraying all their large expenses, enable them to realise a profit commensurate with the pains taken to earn it?

B. They make no charges; or if they make any for some of the few things which they do, these charges are so trifling as to contribute but little to the mass of profit which, as it were, bestows itself upon them, if they only know how to gather it in.

P. Whence comes this profit which, according to your account, thus drops down upon them?

B. It comes from the interest of that portion of their customers' money which they are able to lend out.

P. Are banks justified in lending their customers' money, seeing that they are under an obligation to yield it up, to pay it back on demand; that is, when asked to do so?

B. We take it for granted that they are, for they all do it; and they are considered to be respectable thriving men.

P. Would it redound to your credit as students engaged in inquiries, the object of which is to learn how men ought to conduct themselves in every relation of life so as to secure their own well-being in conjunction with that of society, at all events, to avoid endangering both, to assume that some particular kind of dealing must be justifiable, because it has hitherto been sanctioned?

B. We retract that assumption, and confess that we ought not, even inadvertently, to have given in to it.

P. There is another state of understanding, not without a most damaging influence upon conduct, which it behoves you to guard against. I am thinking of that state which leads its victim, after professing acquiescence in some principle of conduct, to act without remorse or uneasiness, in direct opposition to the very principle professed. One bad consequence of adopting principles in words, unaccompanied by the resolution of acting up to them, or of abandoning them as unsound and impracticable, is the habit of passively and carelessly assenting to declarations of principles, without the remotest thought of acting upon them, or of ascertaining whether they could be acted upon. If this state of understanding do not end in unprincipled conduct, it is a step towards it. We shall do well, before proceeding further, to go over again some of the principles which we have adopted, and to make sure of the conduct which is alone reconcilable with them. In accepting credit, what have we said ought to be the borrower's or debtor's state of mind?

B. To feel assured that his means of paying the claims upon him when due will be forthcoming with at least as much certainty as the claims will be made.

P. When ought the merchants, shopkeepers, and manufacturers, who accept credit, to expect that claims will be made upon them by their creditors?

B. On the very day that the term for which the credit was given expires.

P. If, on application for payment of money due, debtors ask for time, or make excuses for delay, instead of being prepared to pay, what should you think of them?

B. That they ought no longer to be trusted, that their conduct was discreditable.

P. If the money demanded were for an acceptance fallen due?

B. Its non-payment, unless assented to by the holder of

the bill, is called a suspension of payment, an act of bankruptcy.

P. When are banks bound to repay the money which they hold on trust for their customers ?

B. On demand.

P. If, on the demand being made, they were unable to comply with it, what would be your judgment upon their management or conduct ?

B. That it was either ignorant or dishonest, or perhaps both.

P. Can they lend their customers' money, and at the same time be prepared to surrender it up on demand ?

B. They certainly cannot ; and now that we think of it, we have heard that a run upon any bank, if sudden and severe, would be almost sure to stop it. We must confess that the principles on which banking business is conducted are a puzzle to us.

P. Which is the more satisfactory state of mind for a learner to be in—to be puzzled, and to acknowledge to himself that there is something which he has not mastered ; or to accept a solution utterly irreconcilable with previous admissions, and which contains, although unperceived, an element of danger liable every now and then to burst forth when conduct is influenced by it ?

B. It is better to be aware that we have not completely mastered our subject, to be led thereby to further study, and to cautious conduct if destined to take part in a business imperfectly understood.

P. So far as you have yet learned, can you justify the conduct of bankers in lending their customers' money ?

B. We cannot. Although, as they do so, and make large profits, while their customers generally suffer no harm, we imagine that they are justified, although we cannot explain how.

P. It being admitted that debtors are bound to be prepared to pay all the claims likely to be made upon them, do you

see anything to distinguish banking from non-banking debtors ?

B. Nothing except that people do not claim upon their bankers as they do upon their other debtors.

P. Am I to understand that creditors forego the claims which they have upon their bankers ?

B. No, if by "forego" you mean "abandon." Yes, if by "forego" you mean "defer." We were simply adverting to the difference in the conduct of creditors to their bankers, and to their other debtors. They seem as intent on leaving money in the custody of their bankers as they are on collecting it from their other debtors. Possibly the conduct of banks may be somewhat regulated by these dispositions of their creditors towards them.

P. To bring all the light of which you are possessed to bear upon this subject, recall what we agreed must be the state of preparation, as regards money, among people in business, if they were without banks ?

B. They must always have a sum by them proportioned to the extent of their transactions, and to their use of credit.

P. And what takes place when they make use of banks ?

B. Each person transfers the keeping of this sum of money to some bank.

P. Does he constitute the banker whom he selects his debtor ?

B. He does.

P. With the intention of calling upon him to repay the debt or to continue his debtor ?

B. To continue his debtor.

P. May we not, then, draw some distinction between the banking and non-banking debtor ?

B. We see it. The banking debtor has been constituted a debtor with the intention of leaving him a debtor ; while the non-banking debtor is as sure to be summoned to liquidate his debt as the banker is to remain in debt.

P. Is it possible that the banking debtor, who is aware of

his creditors' desire and intention to retain him in their debt, may be justified in employing his customers' money, or some portion of it ?

B. It certainly is not impossible. That is one consequence of his position as compared with that of a non-banking debtor.

P. Before you commit yourselves to a positive justification of him, you would like to pursue your inquiry. Let me ask, then, may we make sure of his not being called upon to surrender possession of the money entrusted to him ?

B. There are but two circumstances which we can think of as likely to occasion the withdrawal from a bank of the money deposited with it. One, the fear, well or ill-founded, that the bank was insolvent, which would lead to a withdrawal, more or less rapid, of all the money trusted to it. The other, the insolvency or retirement from business of the customer, or the transfer of his account to some other bank.

P. Can any precautions be taken against the first of these occurrences ?

B. That kind of management which establishes and maintains a good character for the bank, a large capital, publication of accounts, and a reserve from the undivided profits of years of more than ordinary prosperity. These are the precautions against reasonable fears. It is to be hoped that we have outgrown unreasonable fears, the only safeguard against which is the removal of that ignorance which, so far as it prevails, is incompatible with banking or any other business based upon credit.

P. What precautions can be taken by a bank against the withdrawal of customers through insolvency, retirement from business, or preference for another bank ?

B. We hardly know that any need to be taken. Supposing ordinary courtesy and attention to customers, new accounts will compensate for the closing of old ones. Zeal in the performance of duty, both by masters and servants, is essential to prosperity in banking business as well as in anything else.

P. Admitting that the known state of mind of the creditors

of banks, confirmed by the results of many years experience, justifies the employment by the banks of the money confided to their care, are they justified in employing it as if it were their own ?

B. No. They must confine themselves to employing it as money liable, although not intended, to be withdrawn from their custody.

P. Might a banker engage with his customers' money as capital in the business of merchant, manufacturer, or ship-owner ?

B. Certainly not. It would be difficult to recall capital so engaged in time to satisfy the demands of customers whose confidence might be shaken by the knowledge that a part of their money was so employed. Besides, the banker, justified as he is allowed to be in employing his customers' money, must not risk it as he might if it were his own. He must shut himself out from all that chance of extra profit, which is to be had by incurring avoidable risk. He must only employ it in such a way as that it will be returnable to him to hand over to his customers, if asked for.

P. Excluded from these ways of employing the money lodged with him, what other ways are open to him ?

B. No ways which do not resolve themselves into lending—lending, too, on security which leaves little doubt that the money will be repaid punctually at the expiration of the time for which the loan had been contracted.

P. Is the risk much less when capital, instead of being directly employed, is lent, although the capitalists who borrow it only borrow in order to employ it ?

B. It must be less, if carefully lent, inasmuch as the capital of the borrower is pledged as security for the capital lent, the lender foregoing all chance of profit beyond the stipulated interest, in consideration of his greater security, and of his release from the responsibility and labour of superintendence. The greater security of the lender presumes adequate circumspection on his part to ascertain the character and means of the borrower in whom he confides.

P. It being established as a principle of bank management that the funds entrusted to banks must only be employed on loan—must not be embarked in any ordinary industrial concerns, but only be lent to those who conduct them and assume the risk and responsibility—we must next ask : ought bankers to place themselves under any other restrictions ?

B. Some limit should be fixed to the length of time for which they will consent to lend. They must not lend in such a way as to be unprepared to meet any probable change of mind on the part of their customers.

P. Can you state what that limit ought to be ?

B. You can hardly expect that we should be able to do that. We may, perhaps, be able to point out the kind of caution which ought to be exercised by bankers in order not to incur even a remote risk while striving to obtain an income out of trust funds. When banks have been established for many years, during the whole of which time they have been engaged in borrowing and lending money, their business may be brought to some such state as this :—The amount owed by them to their customers never less than 7,000,000*l.* ; cash retained to provide against any unexpected drafts upon them, 1,000,000*l.* ; money out on loan for various terms, the longest of which is six months, 6,000,000*l.*, and sums receivable by them from loans falling due at the rate of 40,000*l.* each day on an average.

P. Are you prepared to show what might be the daily routine of a bank thus circumstanced ?

B. There would be the daily payments and deposits on account of their customers, and the daily receipt by them of 40,000*l.* out of the 6,000,000*l.* on loan. If the daily deposits and payments on account of their customers should be about equal, there is no reason why the 40,000*l.* on loan repaid to them should not be lent again, so as to earn interest. If the payments to their customers exceed the deposits, so as materially to encroach upon the reserve of 1,000,000*l.*, the whole or part of the 40,000*l.* repaid to them each day out of the money on loan might be retained to prevent the cash reserve sinking much below the required amount. If, on the other hand, the

deposits from customers steadily exceeded their withdrawals, exhibiting an extension of the bank's business, the daily loans might be increased, the cash reserve being also increased so as to be proportioned to the increased business.

P. Your exposition of the principles on which a bank ought to be worked seems satisfactory enough, provided opportunities are to be found for constantly making loans for the short periods to which you confine bankers. Are there such opportunities, and how do they arise?

B. In buying and selling it is a custom, where credit is given, for the seller to draw a bill of exchange upon the buyer, which the latter accepts. It is often convenient for the holders of these bills to obtain money for them before they become due, and they present the very kind of opportunity which suits the banks. When these bills arise out of the internal trade of the country they are seldom drawn at longer dates than two or three months, and when not retained by the drawers till due are often not discounted till they have run out a considerable portion of their time. The bills arising out of the foreign trade are drawn at longer dates—say from two to six months. Many of these are also offered to the banks for discount, presenting to them an opportunity for lending in the very form most acceptable to them.

P. A bank in a large way of business, with directors and officers qualified to conduct it, seems certain to realise a large profit, according to your account. Do you think you could form some estimate of what that profit might be?

B. 6,000,000*l.*, at an average rate of interest of 8 per cent. per annum, would yield a gross profit of 180,000*l.* Taking the paid-up capital of the bank at 1,000,000*l.*, invested so as to yield 4 per cent. per annum, or 40,000*l.*; that added to the 180,000*l.* would give 220,000*l.* per annum. Subtract from this sum 60,000*l.* for supposed salaries and expenses (including pay to the directors), and there would remain a profit of 160,000*l.*, or 16 per cent., to be appropriated as dividend or otherwise among the partners or shareholders.

P. What length of time would it take, think you, to get together a connection capable of giving the results you have described ?

B. It could only be the growth of years. Once attained, steady good management, with ordinary attention to keeping the public well informed of the general state of the bank, will suffice to preserve it.

P. Would you be surprised to learn that the originators of some of the banks lately established, after such profits had been earned, have endeavoured to attract customers by offering to allow a low rate of interest on deposits, besides performing without charge all the other ordinary banking services ?

B. No. If there be capitalists and men of capacity in other commercial walks earning a rate of remuneration much below that enjoyed by banks and their directors and servants, it is to be expected that some of these will strive to mend their position by offering additional advantages as inducements to the public to support their efforts for the establishment of other banks.

P. You can tell me, I dare say, which kind of account you would prefer if you were bankers: one fluctuating greatly—perhaps between 800*l.* and 8,000*l.*; or one that never fell below 600, nor exceeded 1,000*l.* ?

B. The steadier, of course; so that we might rely with greater certainty upon the money available to be lent out at interest.

P. It may gratify you to learn that the projectors of the banks last established in this country have shown an anxiety to attract the class of customers which you would prefer. These banks, accordingly, offer interest to each depositor on the *minimum* balance in their custody during the half year, at the rate of two per cent. per annum, if that balance be not less than 500*l.*, or at the rate of one per cent. if it be not less than 300*l.* How does this offer accord with your notions ?

B. Very well, since it is the *minimum* balance of each of their customers which the banks may venture to lend, the surplus being probably a near approach to the reserve of cash

retained unlent. The smaller rate of interest on the smaller balance, and the withholding of interest on balances less than 800*l.* would be on account of the smallness of the banking profit on small accounts in comparison with the estimated worth of the banking services.

P. The accounts between banks and their customers of which we have been speaking are called *drawing* accounts, to distinguish them from another class of accounts which have arisen out of modern practice, called *deposit* accounts. Most of the joint-stock banks announce their readiness to receive money on the condition of its being returnable to the depositors at seven or some small number of days' notice, allowing interest for the same at a rate one per cent. below the market rate, or the rate at which they are prepared to lend. Which of the two sets of funds, do you think, require the greater caution by the banks in lending—those which may be withdrawn without notice, or those for the withdrawal of which notice must be given?

B. Those which may be withdrawn without notice.

P. If it were to be made known to you that the monies placed with the banks on deposit accounts were intended for profitable employment, deposited merely for the sake of obtaining some interest while awaiting a favourable opportunity, whereas the monies on drawing accounts were intended to be constantly kept up to a certain amount: would you not be led to reconsider your answer?

B. Yes, and to alter it too. For clearly we should have hurried to a false conclusion by fixing our attention exclusively on the difference between withdrawal without notice and withdrawal after notice.

P. Ought bankers to lend monies placed with them on deposit accounts as freely as those placed with them on drawing accounts?

B. No, if we are to understand by monies placed on drawing accounts, the balances only which are regularly standing at the credit of their several customers. We don't see very clearly how they can be justified in lending deposit money for a

longer time than that for which it is fixed with them. Being protected against an unlooked for run upon them by the depositors' engagements to give notice, there is less necessity for retaining money in hand; but being more exposed to be drawn away, there is greater necessity to limit the term for which deposit money is lent.

P. May I record it as your opinion, so far as you can judge, that the licence allowed by banks to their customers to reclaim without notice the whole of their money on drawing accounts, and the restriction imposed upon them to give notice previous to the withdrawal of deposit money, are what may be considered safe for the first, and necessary for the second?

B. You may. The propriety of inviting the latter to accede to some restrictions under which it will suit them to come consistently with their other engagements, is indisputable. Deposit money is meant to be withdrawn. And the banks can afford to allow a rate of interest somewhat dependent upon the term for which depositors will undertake to leave their deposits undisturbed. The licence given by the banks to their customers on drawing accounts being founded upon the persuasion that the balances hitherto permanent will be maintained, the design in granting it has been to associate with the luxury of a banking account the feeling in every customer that he always has his own funds to resort to in case of any pressing emergency. Without this licence, banking conveniences would be deprived of some portion of their attractions, and might be less coveted by the public.

P. Light may be thrown upon the rules which ought to guide the conduct of bank managers by examining some of the results of other facilities offered to the public. Here is one on a large scale. The weekly statements published by the Bank of England show that there is always in circulation upwards of 600,000*l.* of its "seven day and other bills." The Bank is always under engagement to that extent for money which it has received. The signification of this is, that the public, continually desiring to use these bills as a convenient medium for

making payments, purchase new ones as regularly as the old are presented for payment at the Bank, thus retaining in constant use more than 600,000*l*. With this knowledge in their possession, do you think the Bank directors may safely lend the whole or any part of this money?

B. They may certainly lend the larger part of it, as fast as they receive it, for a period not exceeding seven days, or the term, whatever it may be, at which their bills are issued. In combination with other business, they might lend for a longer period, resting upon the reserve kept for remote contingencies.

P. What would be your principal justification for the lending of any portion of this 600,000*l*. for more than seven days?

B. The knowledge, acquired by long experience, that the public will constantly ask for a certain quantity of this medium for making their payments. It is experience similar to this which induces bakers, butchers, pastry-cooks and fruiterers to provide a daily supply of the perishable commodities on the disposal of which they depend for their profit and subsistence.

P. When it is wished to imply unbounded confidence in the solidity of any mercantile establishment, "as good as the Bank of, England" is not an uncommon expression. The solidity of banks being granted, the charge for issuing inland or domestic bills of exchange for the purposes of remittance being in all cases trifling, in many *nil*, the inducement of the public to apply for them so regularly that the banks will always be debtors for a considerable sum of money is obvious. The inducement of the public to resort to banks to obtain interest for short periods on sums of money which they cannot immediately employ in their own business is also obvious. Equally obvious is the inducement of the public to resort to banks for the safe custody of the money which they would otherwise keep on their own premises, coupled as it is with the offer from the bank to pay their drafts on demand and to collect, charge free, what is due to them on drafts and bills of exchange. Does it appear to you that the banks may safely and conscientiously

lend out the money thus held on trust, so as to pay all their expenses and retain a surplus as profit?

B. Experience has shown that they may do this both safely and conscientiously. The reasons why they are trusted must never be lost sight of, and the public must be kept assured that the reasons which first took them to a bank exist to retain them there. Subject to these cautions, the lending of money will be regulated by the probabilities of the length of the time for which the banks may rely upon its being continued with them by the public. The money in their custody from the drawing accounts of their customers is evidently the fund on which they can depend with the greatest security.

P. I may mention to you something in confirmation of your last statement. There is a class of establishments which have sprung up in modern times. They are not called banks, inasmuch as they have no drawing accounts, and themselves are customers of banks for banking services; but they borrow and lend. They transact business similar to that which is represented by the deposit accounts of the banks. They borrow at one rate and lend at a higher. They accept money on condition of repaying it, sometimes at stipulated periods, sometimes at a certain number of days' notice, and sometimes whenever it shall be asked for, or, as it is technically expressed, *on call*; and they discount bills and lend on securities. They are generally known as discount-houses, taking their name from the business in which they are principally engaged. And as a higher rate of interest is obtainable on long bills, they do not exclude themselves from this employment of the money trusted to them. Do you perceive any danger beyond that of a banking business to which a discount-house is exposed?

B. The danger of being called upon to pay obligations from which there is no escape, while they hold bills only, instead of money wherewith to meet them.

P. Cannot they re-discount their bills?

B. That, of course, is what they are driven to do, and what it may be supposed they can do without much difficulty.

P. Would you say that such a difficulty might not occur? Is it not possible that bills should be drawn at times for an amount that could not be discounted at other times, however urgently the money might be required?

B. That thought did not occur to us. A discount-house would, we presume, be alive to it, otherwise a suspension of payments might become inevitable.

P. You can imagine the efforts—the frantic efforts that would be made to avert such ruin, the applications to friends and banks, and particularly to the largest of banks—the bank which has been superstitiously believed to be capable of providing money *ad libitum*. Discount-houses thus disgracefully circumstanced have been ignorant enough to be unconscious that the dilemma in which they were involved was of their own manufacture. They have attributed it to a scarcity of money originating in causes beyond their control, not to promises of payment made by themselves in excess of what they could perform. These men may be very expert in their daily negotiations between borrowers and lenders, keen to establish a wide difference between the rates of interest at which they borrow and the rates at which they lend, and clever in managing to have as small a portion as possible of their funds on hand earning no interest. But you can guess, I dare say, where they show in their management a want of more knowledge and capacity of self-guidance?

B. You mean that knowledge of principles which would keep them alive to the necessity of so restricting their loans of the money trusted to them, as that it shall always be returnable to them before they can be called upon to pay it away in fulfilment of their own engagements.

P. You will be pleased to learn that it is made a point of honour by our best banks so to conduct their business as never to re-discount bills which they have discounted. When they discount bills, they discount them in the conviction that they can hold them to maturity. Their only creditors are their customers. All others with whom they have dealings are

their debtors. To re-discount a bill is to become liable to another for its payment in course—to be his debtor, openly or in disguise, actually or conditionally. The banks of which we have hitherto been speaking conduct their business for the sake of the profits which they expect to earn. But are there not some banks where the business is conducted without any view to banking profit?

B. There are the savings-banks, the latest established among which are the post-office savings-banks. The interest which they receive in excess of what they allow to depositors is supposed to be all absorbed by the expenses of management.

P. Why is not the interest allowed to depositors reduced so as to leave a margin of banking profit after the payment of expenses?

B. Because the object for which these banks have been established is to provide safe and easily accessible places of deposit for small savings, and to afford to depositors the largest possible rate of interest on their deposits.

P. Is the rate of interest allowed to depositors in savings-banks much larger than that allowed to depositors in other banks, since no profit is attempted to be retained?

B. No. We have always understood the rate to be rather lower, than otherwise. The post-office savings-banks, the last established, and intended to afford the best security, and greatest convenience to depositors, allow no more than $2\frac{1}{2}$ per cent., or sixpence for each pound per annum. They receive sums as small as a shilling, but do not allow interest on fractions of a pound.

P. How do you account for the absence of banking profit, if the rate of interest allowed to depositors is so small, while interest on the fractions of a pound is not conceded? The interest procurable by the banks on the large sums made up of many shillings must be very considerable.

B. Because the expenses for books, paper, and other unavoidable counting-house apparatus and services, in proportion to the interest received, greatly exceed the expenses of other

banks, excluding any charge for much of the apparatus and service placed at their disposal by the post-office authorities.

P. You have solved the enigma. The watchfulness of our Government to benefit the community deserves a passing notice. Being compelled to incur certain expenses for postal purposes, they have contrived to make them available for other useful purposes besides. But the expenses of savings-banks being thus unavoidably large on account of the immense number of deposits in proportion to the sum deposited and to the interest receivable, why should they decline, as they do, to accept more than 30*l.* from any depositor in any one year?

B. It must be, we suppose, because the fluctuations in the rates of interest produce at times rates lower than 2½ per cent., although the rate is generally higher. And if no restriction were imposed upon the right to make deposits, large sums might be deposited for the sake of obtaining 2½ per cent., when the market rate of interest was lower, to be withdrawn when the market rate was higher, to the great annoyance and loss of the savings-bank.

P. Your notions concerning the fluctuations in the rates of interest are quite correct; and the organizers of the savings-banks have been compelled to contrive some protection for them, while striving to confer a great benefit upon those who can only make small deposits, viz. to provide safe banks of deposit, and allow the largest possible rate of interest. Which of all banks do you suppose are most resorted to by depositors at the commencement of their industrial careers?

B. Savings-banks; because the sums which most young depositors have at their disposal are smaller than banks established with a view to profit could afford to allow interest upon.

P. Do you mean that, if there were no savings-banks, it would be difficult, if not impossible, for young workmen, and other possessors of small savings, to find safe places of deposit for their savings, and to obtain some interest, however small?

B. We cannot say, if the numerous savings-banks spread over the country had not been established, that something else

of the kind would not have been organized to supply a convenience greatly needed. How anything better could be contrived, we do not know.

P. We may, at all events, accept it as a happy sign of our progressive improvement, when we see the Government extending the usefulness of its numerous establishments for postal service, by making them so many centres for supplying not only the transport of letters at a minimum charge, but bills of exchange, under the name of post-office orders, where it would otherwise be difficult to procure them, and savings-banks for deposits as small as one shilling. I am bound, however, to draw your attention to a circumstance which, unless it can be explained, would seem to detract a little from the merit of these savings-banks. I have occasionally seen in the newspapers announcements from what are called "banks of deposit," which undertake to receive sums of money however small, subject to repayment at a few days' notice, and to allow interest at the rate of 5 per cent. per annum. How can they afford to do this?

B. You are, doubtless, referring to banks established in countries where the prevailing rates of interest are much higher than they are with us; for we hear that there are such countries, as for example, Australia, South Africa, and many parts of North and South America.

P. We will talk over the high rates of interest in these countries on some other occasion. But the announcements to which I have referred were from banks established in London, where, at the time, no more than from two to three per cent. could be obtained from other banks, even on large sums of money.

B. We should suspect that very few of the banks which offer these extraordinary advantages can have been long established, and been able to persevere in paying this high rate of interest, and to return the money deposited with them. If you could not assure us that the banks were sound, and that their managers were intelligent and trustworthy, we should have

little doubt that an inspection of their accounts would show the banks to be insolvent, and their managers either reckless adventurers or artful swindlers.

P. You would not be surprised to learn from time to time that these banks suspended payments, the property trusted to them having disappeared.

B. We cannot conceive how such calamitous consequences can fail to follow from such beginnings.

P. To what causes should you attribute the manufacture of such palpably discreditable banks and their existence for even a small number of years ?

B. To the ignorance of large numbers of the people, and to the temptation thereby held out to a few persons fraudulently disposed to prey upon their ignorance. To these same causes we may trace the prosperity of fortune-tellers, of spirit-mediums, and of those who cure every complaint and remove every deformity by a pill or cosmetic to be repeated till the victim's purse is exhausted, or his life destroyed.

ON PAPER MONEY.



P. We have not yet come to the end of all the contrivances that have grown out of the use of credit, which mankind have been able to adopt, step by step, and to improve upon, with every advance in intelligence and conscientiousness. If no credit were used, if each transaction in buying and selling were accompanied by a transfer of coin from the buyer to the seller, and were closed, as it is sometimes described, by specie payment, you can see at once that the time and labour required would be much greater than the time and labour known by daily experience to be actually bestowed. The applications of credit already examined have shown us how the continual sending backward and forward of coin between distant places has been avoided. Running accounts of debtor and creditor, where small balances are paid periodically instead of the large sums which figure on both sides of the account, furnish another example of the use that is made of credit to diminish the frequency and labour of specie payments. After all these contrivances for saving time and trouble, the sums to be paid in money were often found to be large, and the process tedious, and it was thought that some means might be devised for still further expediting unavoidable money payments. The means so far examined are not money, but contrivances for avoiding an unnecessary multiplicity of money payments. The means which I now propose that you should examine are money—money in a form of greater convenience for certain purposes and occasions. Do you know what kind of money I am referring to ?

B. Paper money, we suppose.

P. What paper money have any of you ever seen ?

B. We have seen Bank of England notes ; and some of us have seen country notes also.

P. Having seen Bank of England notes, you can tell me something about one ?

B. It is a written or rather a printed promise on the part of the governor and company of the Bank of England, signed by somebody authorized by them, to pay to the bearer a certain number of pounds sterling on demand.

P. What is the smallest number of pounds for which you have ever seen a Bank of England note ?

B. Five pounds.

P. No notes for a smaller amount than five pounds are allowed by law to circulate in England. At one time there were Bank of England notes for as small a sum as one pound, and one pound notes still circulate widely in Scotland. If you are curious to know why one pound notes are allowed to circulate in Scotland, while no note for a smaller sum than five pounds is allowed to circulate in England, you may have an opportunity at some future time of reading the discussions which took place when it was deemed advisable to protect one part of the kingdom by forbidding that which was permitted in deference to the customs and tastes of another where it was urgently asked for. We will content ourselves for the present with endeavouring to learn how, and to what extent, paper can be made to take the place of gold. If the option were given to you to receive payment of a debt either in notes or in gold, what must you be sure of about the notes, before you would be induced to accept them as readily as gold, or even in preference ?

B. We should require to know that the promise to pay expressed on the notes was made by parties of whose ability and readiness to perform their promises there could not be the remotest doubt.

P. What parties are most likely to inspire this confidence ?

B. Associated capitalists, particularly when they have been long established and have earned a character for all those qualifications which make suspicion or distrust impossible.

P. Supposing it to be optional with the public how much of their wealth they are to have in the form of money, and how much of their money shall be paper money, what will be likely to determine the proportion of each ?

B. We might, in one word, say convenience. Each person, in his character of consumer, carries about with him or retains in his house the quantity of money which seems best adapted to meet his ordinary wants ; and, in his industrial capacity, he holds as petty cash what it would not suit him to trouble his banker for, whether in pence, shillings, sovereigns or bank-notes.

P. Is the quantity of money which each individual carries about with him or retains in his possession entirely dependent on his own will ?

B. His will is not interfered with, so far as regards the proportion of his wealth which he chooses to hold in the form of money. The quantity of wealth which he possesses is not determined by his will, but by his capacity of earning, his opportunities of receiving and inheriting, and his determination to refrain from consuming. Given his wealth, how much of it shall be money depends, so far as we can judge, entirely upon his own will.

P. What would rectify any disproportion that was disagreeable to him between the quantity of his money and the quantity of his other possessions ?

B. Buying and selling, and lending and borrowing.

P. What would rectify any disproportion between his metallic and paper money ?

B. Exchanging one for the other : the opportunity for his doing so not being denied to him.

P. The reasons for using metallic money we need not repeat ; but why is paper money ever preferred to metallic ?

B. In order to avoid risk, and the expenditure of time and

labour which might be more profitably or agreeably employed in some other way.

P. How is risk avoided by the substitution of paper for gold?

B. In case of loss by robbery or otherwise, the chance of recovering the gold would be very small. The tracing of the robbers or of the parties wrongfully possessed of the notes would only be prevented by their not venturing to pass them, and their ultimate restitution to the rightful owner of them would be far from improbable.

P. How are time and labour saved?

B. In the same way that they are saved by cheques on bankers. But there are occasions when cheques on bankers will not be accepted in payment. A cheque on a banker, to be taken, calls for confidence in the drawer as well as in the banker. The right of the drawer to draw a cheque must be as much unquestioned as the ability of the banker to pay it. Where a cheque would not be taken and bank notes were not to be had, a party who had a payment to make, say of some thousands of pounds, would have to attend, either in person or through a representative, to the counting and weighing by his banker, then to the conveyance, and lastly to the re-counting and re-weighing on delivery. Bank notes for 1,000*l.* each to make up the amount required will enable the same work to be done in less than one tenth of the time.

P. Might not the party who had been at all this trouble to procure notes find that coin was insisted upon, and then have to return and obtain gold in exchange for his notes?

B. Such vexatious annoyances may have occurred in former times, but we believe that people are now obliged to accept payment in Bank of England notes, or forego their claim altogether.

P. You are quite right. Bank of England notes have been placed by law, as a means of payment, on a par with sovereigns: this is what is meant when it is said that Bank of England notes have been constituted a "legal tender." But does it not

strike you as somewhat extraordinary, that law-makers should compel creditors to accept a bit of paper, as a bank note has sometimes been called, in satisfaction of the number of sovereigns which ought to be paid ?

B. Matters often appear strange when misrepresented or misunderstood, although the strangeness disappears as soon as the misrepresentation is rectified, or the misunderstanding cleared up. A bank note is something more than a bit of paper. It is a promise which, if confided in, is worth all that is promised, and is preferred for a time, even to the thing promised, for certain uses. If law-makers can satisfy themselves that particular classes of these promises are beyond all doubt and danger, and may be relied upon with the most perfect security, and that the conferring upon them the attribute of "legal tender" will add to their usefulness, they ought not to deny this advantage to the public : they ought to place at the disposal of the public "paper money" in a form the most efficient for expediting all the operations of buying and selling, paying and receiving.

P. The attribute of "legal tender" is attached exclusively, in this country, to notes issued by the Bank of England. And it is supposed that adequate provision has been made for securing the public, who are compelled to accept these notes from everybody except the Bank of England, against any risk to which they would not be equally liable if payment were made to them in gold. Let us examine what the pains that have been taken in order to make this provision have resulted in. Who are the governor and company of the Bank of England ?

B. A body of capitalists possessing in their united capacity of proprietors of bank stock a capital of 14,553,000*l.* This capital is of course responsible to all holders of bank notes for the punctual payment of these notes whenever it shall please the holders to present them for payment.

P. Might not this capital or a part of it be withdrawn by the proprietors of bank stock, and the note holders be deprived thereby of part of their supposed security ?

B. In their associated or corporate capacity, the proprietors might lose some of their capital or stock, but in their individual capacity they are not at liberty to withdraw any of their capital. If they wish to employ their capital elsewhere, or if death or insolvency make it desirable for their executors or assignees to withdraw the capital, its sale is permitted. But this really means that the capital stock of the bank remains unmoved, new proprietors being substituted for the old ones.

P. Can we form any estimate of the risk of note holders from the loss of capital by the proprietors of bank stock in their corporate capacity?

B. The company has been established upwards of 150 years. Each 100*l.* of its stock has for many years been worth more than 200*l.*—that is to say, the proprietors of bank stock, whenever they wish to part with their stock, readily find purchasers at a price which indicates a general belief in the continuance of an annual dividend fluctuating between 7 and 10 per cent. An abstract of its accounts is published in the *Gazette* every week. The public who hold the notes have thus an opportunity of judging of the condition of the bank from week to week. Its profits are divided twice a year, under the name of dividends, among the proprietors of bank stock, with this further precaution: an accumulation of undivided profit to the amount of 8,000,000*l.* has been constituted into a rest over and above the capital; and the half-yearly profit to be divided among the proprietors of bank stock is limited to that part of the rest, swelled as it is from week to week by the earnings of the bank, which is in excess of 8,000,000*l.* at the close of each half year.

P. Although, in order to invest the notes of the Bank of England with the attribute of legal tender, for the convenience of the public, it was necessary to make the acceptance of them by the public compulsory in their dealings with one another; they are not compelled to accept them from the Bank of England, and the Bank of England is compelled to give sovereigns for them on demand. The weekly returns of the Bank of England show that there are always in circulation from

25,000,000*l.* to 30,000,000*l.* of their notes. As one step towards understanding the bearings of these weekly publications, let me ask, how is it that notes within these limits are maintained in circulation ?

B. It can only be, because to that extent bank notes are preferred to sovereigns : since, if more sovereigns were preferred, notes would be presented at the Bank for payment in gold, and if more notes were preferred, gold, coined or uncoined, would be sent to the Bank for notes.

P. When the laws were passed which now regulate the currency of this country (for that is the collective name given to the whole of our money, metallic and paper), this disposition of the public in regard to their comparative demand for paper and gold was as well known to our legislators as it now is to you ; and your knowledge will enable you to appreciate the precautions taken to guard the public against loss or inconvenience, while the advantage was extended to them of a paper money, with the attribute of legal tender attached to it. The Bank of England, in virtue of their arrangement with the Government, are privileged to supply the public with notes in exchange for gold. But the Bank is restricted from lending, and, therefore, from obtaining interest on more than 14,650,000*l.* of the money and bullion (the name given to uncoined gold and silver) which they receive in exchange for their notes. With such arrangements, what value in coin and bullion will always be in the Bank's possession ?

B. From 10,000,000*l.* to 15,000,000*l.*

P. As independently of such an interdict by law on the Bank of England, that company is subject, in common with all other members of the community, to the obligation of fulfilling its engagements, why should such an interdict have been imposed ?

B. The restriction imposed upon the Bank of England is not so much an interdict as a condition attached to a privilege of issuing notes with a legal attribute attached, likely to give them favour with the public.

P. But can you imagine, under such management as that of the Bank of England may be supposed to be, the possibility of the directors being unprepared to pay their notes in gold on demand?

B. It would be presumptuous in us to say that such a contingency could not arise unless specially guarded against, seeing that the Government have thought it advisable to attach the conditions which you have mentioned to the privilege of issuing legal tender notes, and which privilege the Bank of England were content to accept, with the conditions attached to it. The interdict—if that term is to be used—upon the Bank is, as it seems to us, a precaution taken by the Government to place beyond all doubt the ability as well as the liability of the Bank to pay its notes on demand—to make it impossible that any circumstances could occur to prevent it.

P. My last question is better fitted for men who have acquired some experience in business, than for boys who cannot be supposed to be conversant with more than the principles which ought to be obeyed in the use of credit. But you have answered it most judiciously. To show you that your surmise concerning the reasons for the course adopted by Government is not ill-founded, I may mention that owing to the ignorant and reckless use of credit fostered by a class, called discount-brokers, who by their very position ought to know better, applications have at times been made to the Bank of England, as a last resort, for discounts almost without limit, as if that establishment could not only lend such money as they had, but could also make money to lend. The pressure that was put upon the Bank, combined with an attempt to fix upon the directors the responsibility of causing many merchants and others to suspend payment, and close their works, was more than they had the resolution to withstand. They have, accordingly, more than once, been brought to the brink of begging for time, in order to find the means of paying the notes presented to them. Hence the intervention on the part of the Government to arm the Bank directors, when unwarrant-

able applications are made to them for loans or discounts, with the answer, "We cannot," instead of the answer, "We will not," or "We ought not," which left them open to solicitations and threats beyond their ability to resist. Will you now recapitulate the securities presented by the Bank of England and the Government conjointly to the public, that the Bank of England notes shall always be worth the number of sovereigns which they are promises to pay on demand?

B. First, there is the capital of the Bank augmented by the rest already mentioned; and second, there are the equivalents of the notes issued, part of which consists of a quantity of gold always in the possession of the Bank, greatly in excess of any amount of notes that will ever be presented for gold by the public, until a change of sentiment shall arise, leading back to a preference of all the expenditure of time and trouble which the use of paper money is meant to save.

P. That part of the profits of the Bank of England which is derived from the issue of bank notes, is clearly limited to the interest on 14,650,000*l.*, *minus* all the expenses incident to the circulation of a much larger amount of notes. As regards banks out of London which issue their own notes, what is their justification for lending any part of the money which they receive for them? and what restrictions ought they to impose upon themselves in lending?

B. The difficulty of answering this question confidently, is very much diminished in the case of a bank that has been long established. The *minimum* amount of its notes at any one time in circulation has been ascertained. The public within the district of that bank have evinced their preference for notes to an extent which has never fallen below the *minimum* ascertained. It may be presumed, while other circumstances remain the same, the confidence in the bank being unshaken, that the public will continue to prefer notes to gold to the same extent as heretofore. Accordingly, after a reserve has been provided against unlooked-for contingencies, the money received for the notes issued may be lent for short periods, much in the way

already described in respect of money owing to customers on drawing accounts.

P. The course of bank business in issuing notes, as represented by you, would appear to be the receipt of money in exchange for its notes. Do you think that the issue of notes generally takes place in this way?

B. Most likely not, but rather in the discount of bills. And here it is that the circumspection and intelligence of the banker are called into play. The application of a customer to the manager of a bank which issues notes for the discount of a bill of exchange, or for a loan, may inspire a twofold hope; first, of obtaining interest on a portion of the unproductive reserve, and second, of leading to an extension of note circulation. The customer who discounts the bills or borrows, will generally accept bank notes, to pay away to his own creditors. There is a prospect that a part, if not the whole, of these will remain in circulation, the banker appearing to obtain interest, as it were, by the making of money. A delusion concerning a banker's power in this respect, afloat among his customers and not provided against by him, may lead to some of those disastrous consequences which at times disturb the industrial world.

P. Has the use of credit in the place of money payment, and, as one development of the practice, the partial substitution of paper for metal, produced any effect upon prices?

B. We cannot answer that question. Indeed we should think it would be a difficult question for anybody to answer. The causes of fluctuations of supply and demand are so numerous, acting sometimes in the same, and sometimes in opposite directions, some visible and some hidden, that whether any and what effect should be assigned to the use of credit we cannot even venture to guess.

P. We will try to obtain some insight into the probable influence of credit and paper money upon prices, by putting the question in another form. Has the use of credit, bearing

in mind all the arrangements and contrivances that have grown out of it, increased or diminished the demand for gold?

B. Diminished it, of course. With our present activity of production and interchange, if the contrivances in use for dispensing with coin were abandoned, the extra demand for gold would be something immense.

P. And what would be the effect of such an extra demand upon the value of gold?

B. To raise it, in other words, to lower prices.

P. If to abandon the contrivances that have grown out of the use of credit would be to lower prices, must we not admit that these contrivances have raised prices above what they would otherwise be?

B. We don't see any escape from that admission. There still remains the difficulty of determining what extent of rise the use of credit has been the cause of.

P. Do you know of anything that would tend to neutralize or counteract the rise of prices which the substitution of credit for gold might be the cause of?

B. It appears to us that some such counteraction as this is inseparable from the rise of prices originating in the use of credit; the rise of prices calls for a larger quantity of gold to circulate the same quantity of commodities. Thus, the use of credit, while it diminishes the demand for gold directly, increases the demand, although perhaps to a less extent, indirectly. The development of banking to which we owe the principal means of economizing the use of money has been the steady growth of years. It has been one among many contrivances for increasing the productiveness of industry through which the cost of many commodities has been diminished. We should be puzzled, therefore, to trace the operation of banking facilities in raising prices, although compelled to acknowledge that their tendency must be in that direction.

P. Does not the use of credit give rise to fluctuations in prices far beyond any that would otherwise occur?

B. As far as we can judge from the history of olden times

when credit, as we understand it, was little used, fluctuations of prices were greater than they have been in our days. Famine prices and their opposites were of frequent occurrence. There certainly are epochs when credit is given and taken very freely, and other epochs when confidence is so far shaken as to contract credit within comparatively narrow limits. Prices, on the former occasions, will range high, and on the latter occasions low, subject to influences specially acting upon the prices of particular commodities.

P. Can you assign any reasons for this extension of credit at one time, and its contraction at another ?

B. The contraction of credit is easily accounted for. Suspicions are aroused that many persons have been accepting credit far beyond the amount to which their capitals entitled them, and that, their industrial operations having been unsuccessful, they will be unable to fulfil their engagements. Some suspensions of payment occur ; suspicions increase ; doubts arise concerning the solvency of less unscrupulous traders who are brought into difficulty by the stoppage of others ; the desire to borrow is increased, in order to guard against contingencies not previously provided for ; there is a diminished disposition to lend for the same reason ; sellers are on the increase, buyers few, and only to be drawn out by prices greatly reduced. The causes of this painful contraction of credit are to be sought for in the undue extension of credit brought about by the unconscientious and ignorant use of it : prices rising higher and higher with its extension, and declining, sometimes almost collapsing, with its contraction and temporary extinction.

P. Does it occur to you that it might be possible to prevent, or, at all events, to greatly diminish, the ignorant and flagitious use of credit which from time to time inflicts such cruel suffering upon society ?

B. While the proportion of ignorant and unconscientious men among us remains undiminished, the only resource is the exercise of more vigilance and caution by the well-informed and conscientious bestowers of credit. As the tendency to

commit crime by persons criminally disposed is kept in check by the police, so the tendency to commit wrong acts which have not been made criminal must be kept in check by the circumspection and distrust of those through whom principally the opportunities of doing mischief may be obtained. A better defined state of opinion in regard to the true character of those who accept credit beyond what would be given to them were their actual circumstances known, might also exercise a repressive influence over those whose conscientiousness was not a sufficient preservation against temptation to be as nearly fraudulent as possible, without being classed among thieves and embezzlers.

P. Does it not appear to you that credit, as we see it used, tends rather to aggravate than to rectify fluctuations of prices?

B. That question cannot be answered satisfactorily in a few words. The intelligent and conscientious use of credit, tending, as it does, to place capital at the command of those most competent to employ it, and accordingly to distribute it where its services will be most available, can produce no other effect upon prices than to make them approximate to the relative costs of production of commodities, and to make them correct indicators of the varying wants and tastes of society. And we must always bear in mind that the desirable feature in prices is, not the absence of fluctuation, but susceptibility to fluctuation in accordance with prospective wants and the means of supplying them. If this be a faithful representation of the influence of the intelligent and conscientious use of credit, it seems to follow that an ignorant and unscrupulous use of credit which draws capital to persons unfit to be trusted, however well put on may be the appearances of their respectability, attainments and success, must cause capital to be less profitably employed than it might be, if its entire loss or destruction be escaped.

P. It is scarcely conceivable how anybody who is acquainted with what is going on around him can fail to appreciate the magnitude of the benefits obtained through the agency of

credit. He need not be less keenly alive to the losses sustained through the ignorance and misconduct of many who use it. We who are talking together in this school-room may hope, and not unreasonably, when the defects which still cling to the course of education commonly prepared for the young are removed, and the education so improved is brought home to every child, that the number of the ignorant and ill-disposed will be sufficiently reduced to admit of our enjoying the sweets of credit free from the suffering and shame with which they have hitherto been embittered.

B. It would indeed be folly to forego the benefits of credit instead of casting off that indifference in regard to the proper education of the young which causes these benefits to be adulterated, at the same time that it proves us to be undeserving of them. The courts of bankruptcy may bring to light delinquents in the use of credit, as the criminal courts expose issuers and circulators of counterfeit coin, without blinding us to the inestimable benefits of well-deserved credit, and of the coin of the realm as issued from the Mint.

P. One object of a banker in restricting himself to loans and interest, or discount, is that of avoiding the risk of loss, while he gives up the chance of profit from fluctuations of prices. But is he always sure of escaping loss from fluctuations of prices?

B. Directly, he can neither suffer loss nor derive profit from fluctuations of prices, for he deals only with one denomination—*money*. Indirectly, he may be involved in loss from these fluctuations through the insolvency of customers to whom he has given credit.

P. When a banker gives credit incautiously, and, thereby, gives an opportunity for the ignorant and reckless acceptance of it, does he not assist in aggravating fluctuations of prices, which, if favourable to those whom he trusts, yield no profit to him, but which, if unfavourable, involve him in part—sometimes in a considerable part—of the loss?

B. This appears to us to be the principal risk of the banker.

His resource for keeping clear of loss, while ignorant and reckless traders, unknown to him, may be lurking among his customers, is circumspection, with special caution in regard to those who would tempt him with a rate of interest above that obtainable from others who have unquestionable security to offer.

P. When the issuing of paper money was first thought of, and long afterwards, the limits to which it might be carried had been very imperfectly considered. Even to this day, strange delusions prevail in many countries, and, perhaps, have not been entirely dismissed from among ourselves. When paper money has been constituted a legal tender, and has obtained a wide circulation, the Government, in behalf of the community, has considered itself entitled to share in the advantages derivable from the issue. You can guess, I dare say, when Governments have been looking about for the means of expenditure, in what shape they will have been likely to claim participation in these advantages?

B. By borrowing some of the money received by the bank in exchange for its notes.

P. In some countries, Governments have issued their own notes, and the temptation has been very strong at times to issue as many notes as possible, so as to increase the fund out of which means of expenditure might be taken. An examination into the uses of paper money will not be complete till we have determined whether its issue can be carried on without limit, or within what limits it must be confined, and how it is to be ascertained when those limits have been reached. The first question which occurs to me as a step towards ascertaining those limits is, How is excess of issue prevented under the system which prevails in this country?

B. By demands for payment on the part of note holders who have more notes than they wish to retain. This, coupled with such management on the part of the bank as will enable it to meet the demands made upon it by note holders, and the extra precautions interposed by the legislature to insure the due

payment of legal tender notes, seems to be an adequate security against anything that could properly be called over-issue.

P. When bankers, through mismanagement, become incapable of paying their notes, does it generally occur to us to say that there has been an over-issue?

B. Scarcely. The thought uppermost in our minds would be, the mismanagement which led to the loss inflicted by them upon their customers, whether depositors or note holders.

P. Setting aside bank insolvency, how could we have an over-issue in this country, regulated as our currency is?

B. We don't see how there could be an over-issue.

P. So long as paper money is convertible—that is, so long as the issuers of it are capable and compellible and willing to pay their notes in coin, there cannot be an over-issue; is that your opinion?

B. It is more than our opinion: it is our conviction, subject to anything that you may offer to shake it.

P. How is it possible, then, that there should ever be an over-issue of paper money?

B. An over-issue cannot occur unless the paper be inconvertible—that is, consist of legal tender notes, the issuers of which are absolved by law from paying them in coin.

P. An over-issue rendered possible in the way you have described is an occurrence of which every country, our own included, has at some time afforded an example. There is a feeling generally prevalent in this country that any over-issue of paper will never be permitted again among ourselves. The phenomenon may still be seen in some countries. The study of it from every point of view, and in all its bearings, is fraught with instruction. Suppose the Government to take possession of the money, or adopting the expression generally used, to borrow it, how would they dispose of it?

B. In paying some pressing liabilities, or in the purchase of materials and labour.

P. Are the materials and labour obtained by the Govern

ment through the money borrowed from the bank as much abstracted from other purposes as if the money had been raised by taxes ?

B. Being appropriated and consumed by the Government, they cannot be available for other purposes ; and if the money through which they are obtained be borrowed in reality as well as in name, the day of repayment will bring with it the necessity of raising the money by taxes.

P. As this is a matter of some importance, I will not take leave of it without asking : Can a Government appropriate to itself any portion of the wealth and labour of a community without to the same extent diminishing the wealth and labour accessible to others ?

B. Things cannot be consumed and used, and be at the same time unconsumed and unused.

P. It still remains to be asked : Will the community be either the richer or the poorer according to the way in which Government obtains the means for consuming wealth and appropriating labour ?

B. Not directly. Indirectly, the industrial arrangements of the country might be more or less disturbed, and thereby rendered less productive of future wealth and well-being.

P. We must endeavour, then, to ascertain the consequences of abstracting or borrowing from a bank funds which it cannot part with except at the risk of its ability to pay its notes in coin. What amount of coin will a bank generally retain in its keeping ?

B. Only so much as is required for guarding against all possible claims upon it for the payment of its liabilities.

P. Why will it not retain more ?

B. Because its profits arise from what it lends. Were it to lend nothing, it would earn no profit. The more it lends, and the less coin it retains, consistently with security, the greater its profit. We might almost say that it is a principle in banking to retain the minimum of coin consistent with security.

P. Would the compulsory borrowing of any portion of this

coin endanger the stoppage of the bank, and of a large portion make the stoppage almost inevitable ?

B. We must say "yes" to that question.

P. By whom, in such circumstances, would the stoppage of the bank be occasioned ?

B. By the Government—by the party abstracting or "compulsorily borrowing" the coin.

P. As a bank stoppage cannot be looked upon otherwise than as discreditable, and as no Government could feel unconcerned at the imputation of being the author of it, can you suggest a course by which the Government authorities might hope, while they helped themselves to the coin in the bank, to blind themselves and an unintelligent public to the fact of there being a stoppage ?

B. There is only one way that we know of, by which a stoppage can be prevented, and that is by respecting the bank reserve of coin.

P. But if the Government were resolved to have the money, and yet wished to save appearances, to do wrong and appear to do right ?

B. They might take the money and forbid the bank to pay its notes in coin : using the term "forbid" to convey the impression that a bank devoid of coin did not pay its notes in coin because it was unable, but because, for state reasons, it was not permitted.

P. This is the course which has been pursued on many occasions. The pains taken to avoid the scandal of a bank stoppage by hiding the reality from all who can be so deceived has given rise to a name for the notes for which coin can no longer be demanded. Do you know what those notes are called to distinguish them from notes for which payment in coin is legally claimable ?

B. They are called "inconvertible."

P. When bank notes have been made inconvertible, what is their value ?

B. We have no means of judging. We have heard of bank

notes that have become valueless. They were inconvertible of course.

P. What would help to give a value to inconvertible notes ?

B. Their being constituted " legal tender " and being accepted, accordingly, by Government in payment of taxes.

P. How could we ascertain whether bank notes had been lowered in value by being made inconvertible ?

B. By trying what could be got for them.

P. Are you not trifling with me, when you say that I may ascertain the value of notes by ascertaining it ?

B. We beg your pardon. We slipped into that answer inadvertently.

P. It might so happen that the payment of notes in coin should be prohibited on the eve of a good harvest. Would you attribute any part of the fall in the price of bread to the inconvertibility of the notes, or, as it is sometimes expressed, to the suspension of specie payments ?

B. We could not do that ; for although notes may be lowered, they cannot be raised in value by being made inconvertible. The fall in the price of bread, or rise in the value of notes measured in bread, would be caused by the good harvest.

P. If the making of notes inconvertible, or the bank restriction, or the suspension of specie payments, occurred simultaneously with a bad harvest, would you say that the reduced value of notes measured in wheat was caused by the inconvertibility of the notes ?

B. The bad harvest would be too clearly a cause of part of this reduction in the value of notes for us to dismiss it thus unceremoniously. We should have to consider what part of the rise in the price of wheat, or of the reduction in the value of the notes as measured in wheat, was attributable to the inconvertibility of the notes, and what part to the bad harvest.

P. And do you think you could succeed in distinguishing the effects of these causes separately upon the value of an inconvertible paper money ?

B. We are sure that we could not. If it is to be done, more knowledge than we are possessed of must be brought to the work.

P. By way of bringing the consequences of making paper money inconvertible more completely home to ourselves, I will ask: if all or the larger part of the gold were to be borrowed from the Bank of England by our Government, and the Bank to be restricted from paying its notes in gold, do you expect that its notes would fall in value?

B. Certainly, we do.

P. What opinion would you form of the effect of this restriction upon the value of the notes if you found that you could exchange them elsewhere for gold at the rate of 3*l.* 17*s.* 10½*d.* per oz.?

B. In such a case we should say that their inconvertibility at the Bank had not depreciated their value.

P. And if you could not get gold except at the rate of 4*l.* 10*s.* per oz.?

B. We should then say that the notes, having been made inconvertible, had fallen in value to the extent marked by the difference between the weight of gold obtainable from dealers in gold, and that formerly obtainable from the Bank of England for the same amount of notes.

P. If gold, instead of being always obtainable at the rate of 3*l.* 17*s.* 10½*d.* per oz., were fluctuating at rates never below that, but ranging up to 5*l.* per oz., could you suggest any cause for such fluctuations?

B. The inconvertibility of the notes. If the notes were convertible, their value could not deviate from the weight of the gold which they were promises to pay.

P. The inconvertibility is the cause of the possibility of depreciation, but my question refers to the cause of fluctuation in the extent of depreciation. Why should the inconvertible notes be more depreciated in value at one time than at another?

B. The confidence of the public in the Bank might, at times, be shaken; and holders of notes which had been accepted under

compulsion might be so anxious to part with them as even to submit to a sacrifice. If their business made it necessary for them to retain in their possession some money, whether notes or gold, their want of confidence in the notes would make them hasten to obtain gold in exchange, even at more than 3*l.* 17*s.* 10½*d.* per oz.

P. If I were to exclude distrust in the Bank from among the causes of depreciation in the value of their notes? If the large capital of the Bank, and the goodness of its securities—particularly of those received from the Government in exchange for the gold borrowed, prevented all apprehension of Bank insolvency?

B. Their notes could, then, hardly be depreciated. At least it is beyond us to make out how they could be.

P. Would you attach any importance to the amount of notes which the Bank might issue? Would an issue of notes greatly in excess of what had previously been kept in circulation have any effect upon their value?

B. We did not think of that. It must of course; but we are fairly puzzled.

P. Just recall for a moment, how the quantity of money in circulation, paper and metal, is determined when the bank notes are convertible.

B. It is settled by the public.

P. And who are the regulators of the quantity of money when bank notes are inconvertible?

B. The only regulators, then, must be the issuers of the notes, whether bank managers or Government authorities or the two combined.

P. What prevents an excessive issue of paper money, when the notes are convertible?

B. The applications of the holders of these notes, which are more than wanted, for payment in coin; and generally, applications by the bank creditors for payment of what is receivable by them in coin, rather than in notes.

P. And what prevents an excessive issue of paper money, after the notes have been made inconvertible?

which was of full weight disappeared as fast as it was issued; and after a time the former coinage was superseded by that of the bank-tokens.

B. It is difficult to imagine how people should have been unable to see why it was that the gold and silver coin were driven out of circulation.

P. When young people, like you, have been brought up, step by step, to the capability of interpreting correctly the phenomena of nature, without being left to wander unassisted through darkness and illusions, it must appear surprising that our forefathers should have been so long involved in the most manifest contradictions. Language lends itself to maintain former errors. We still talk of the movements of the sun and stars, as if the appearances of movement in them were not occasioned by the movements of the earth. In like manner, the depreciation of the inconvertible paper money was hidden by speaking of the paper pound as the unit-standard measure of value, assuming it to be the former pound unaltered, and representing gold as being at a premium.

B. According to the accounts which we have from the United States, the people there seem to be running the same course. Specie payments have been suspended. There is an excessive issue of paper money. But it is said that gold is at a premium, not that the paper dollar is depreciated; which is as much as to say, unless it be admitted that the unit-standard measure of value has been altered, that a dollar is worth more than a dollar.

P. What would you say, then, determined the value of inconvertible bank-notes which are legal tender, and usable in the payment of taxes?

B. Their quantity. In that respect, there is some resemblance between coins and inconvertible bank-notes. For if the metal out of which money is coined were, by some freak of nature, to become as abundant as stone, its value and that of the money coined from it would be so small compared with its bulk and weight as to unfit it for a circulating medium.

P. As you have mentioned a kind of resemblance, which you think you perceive, between the effect produced upon prices by an unlimited issue of paper money, and an indefinite supply of gold, can you also point out wherein the probable effects traceable to these two causes differ?

B. We did not expect that you would take up this hasty comparison of ours so seriously. An indefinite supply of gold is evidently altogether imaginary; and next, if anything like it, contrary to all experience, were to occur, the supply would come gradually and in the light of day, and its effect could be anticipated and estimated. Whereas, an indefinite supply of paper money may occur whenever and wherever there is folly or dishonesty enough to create it; and it is a work of darkness, and thereby eludes the detection, anticipation, and calculation, which might enable some of its sad consequences to be guarded against.

P. Do you know of any instance of a paper-money, the excessive issue of which has been persevered in to such an extent as to become valueless, and to lead the government which had issued it to its repudiation as a lesser evil and injustice than its acknowledgment and payment?

B. There is the celebrated instance of the French assignats.

P. Have we any examples of an inconvertible paper money suffered to run by over-issue to a considerable depreciation, but checked so as not to become utterly worthless?

B. Yes, there is the paper dollar of Buenos Ayres, nominally a dollar—about 4s. 2d. of our money, but in reality not worth so much as 3d.—depreciated by over-issue to one-twentieth part of the value promised upon the face of the note, but preserved from extinction by a check at the eleventh hour on the further growth of excess. Another remarkable example has been afforded by Russia. There the rouble bank-note, supposed originally to be equivalent to the silver rouble, or about 88½d. of our money, was issued in such excess as to be worth little more than the fourth part of a silver rouble. In order to bring so discreditable a state of the currency to an

end, it was determined some years ago to resume specie payments, making the depreciated paper rouble convertible at the rate of three and a half paper roubles to one silver rouble.

P. It would have been well for the character of the Russian government, if it had abided by a resolution so wisely formed, but unfortunately the same combination of ignorance and rapacity which induced the Russians a few years ago to invade the territories of a neighbouring nation, induced them to make another over-issue of inconvertible paper money to meet the expenses of their iniquitous project. But have we not a still later instance of similar misapprehension and mismanagement in connection with paper money from another part of the world?

B. You mean, of course, the suspension of specie payments by the banks in the United States, and the issue of legal-tender inconvertible paper by the government there.

P. There is one other question which I should like to submit to you in regard to the resumption of specie payments, after a paper money had been made inconvertible, and suffered to become depreciated by excess of issue. On what terms ought specie payments to be resumed?

B. That, we conceive, should depend upon the length of time during which the depreciation had prevailed, and upon the extent to which it had been permitted. If the time had been short, and the depreciation small, the reasons for restoring the value of the depreciated paper by fulfilling the promise registered upon the face of each note, appear to us to preponderate. But if the depreciation were great and had subsisted for years, as in the case of the paper dollar at Buenos Ayres, the injustice of resuming specie payments by making debtors pay 50*d.* when they had contracted to pay 8*d.*, would be as great as it had been to force creditors to accept 8*d.* when they were entitled by their contract to receive 50*d.*

P. How happens it that governments and nations sufficiently enlightened to shrink from a debasement of the coin, can have

given in to the debasement of their paper money by over-issue ?

B. The folly and iniquity of the proceeding were hidden from them by their ignorance. At the time of the Bank Restriction Act, our Government would have been incapable of taking 10,000,000*l.* in gold from the bank, and making it into 12,000,000*l.* by the addition of alloy ; but, blind to the consequences of over-issue, they suffered a debasement of the paper money to steal insensibly upon them, and then unhesitatingly denied that any portion of the rise of prices was caused by the debasement of the notes as marked by the value of gold measured in notes. Notes were not debased, it was said, gold was at a premium. In like manner, we now hear that gold is at a premium in the United States, as if the paper-dollar were vindicated from depreciation instead of being convicted of depreciation by the very admission.

P. Does it not appear somewhat strange to you, after so many nations in Europe had suffered and recovered from the delusion as to the possibility of procuring the means of government expenditure by an unlimited issue of inconvertible paper money, that the people of the United States should fall a prey to the very same delusion, and apparently with as little mis-giving, as if nobody had ever suffered before them ?

B. It would appear more strange, if we did not know that they were also suffering other evils originating in the same common cause. Ignorance, giving a loose to their passions where sense should control and guide them, has made its victims persist doggedly in courses which, if not quite abandoned by all, are seen by most of us to lead only to mischief. When they desist from fighting for dominion, from suppressing freedom of discussion, from maintaining restrictions on trade, and from combining and striking for increase of wages, we shall be surprised if they do not also discontinue the issue of inconvertible paper money.

P. Are you aware, when you attribute the ill-conduct, of which the people of the United States are offering such

terrible examples, to their ignorance, that they lay claim to an extent of education far beyond that which prevails among any other people in the world, and that many of our own countrymen countenance their pretensions ?

B. If these pretensions be well grounded, we should be driven to inquire what kind of instruction was imparted under their scheme of education, widely extended as it is represented to be ; we must be on our guard lest ignorance take to using education as it uses paper money by first debasing it, and then boasting of its quantity. For while the paper dollar is depreciated 80 per cent., the abundance or plentifulness which causes its depreciation is made the theme of congratulations.

P. With your views of the influence of education, it might be inferred that you feel quite confident that it will be impossible for you in after life to give your countenance or support to an issue of inconvertible paper money. Is this your feeling ?

B. To say that we feel confident of rising to any height of wisdom or excellence, however small, would not be very becoming. You might tell us that diffidence rather than confidence will be more likely to help us to the wisdom and excellence which we ought to be hoping for.

P. Expectations, if not confident feelings, in regard to our own future conduct may be warranted, partly at least, by the knowledge which we are conscious of possessing. As the farmer, the manufacturer, the miner, the ship-builder, the engineer and the navigator of modern times, all feel confident, with their knowledge, that there are many things which they must do, if they would succeed in their callings, and which their predecessors could not have done because they were not possessed of that knowledge ; so we may say that school-boys, instructed as you are, will and must do some things, and refuse to do other things, which boys uninstructed, or less instructed, would have little or no thought about. You are quite justified, therefore, in suspecting that an ill-conducted community which boasts of the extent of its education, must be going astray in some respects, in what it is imposing upon the young under the

name of education. In former days, when the rules of conduct which lead to well-being were unknown to adults, they could not be taught to the young; and if those adults among ourselves now who understand them neglect to teach them to the young, what will education avail, extend it as you may?

B. Whatever else it may accomplish, it cannot avail to ward off evils, the causes of which are unperceived. Rules of conduct as a means of attaining well-being, or of warding off evils, must be faulty or incomplete, or even causes of evil in themselves, if framed by those to whom the causes of evil are unknown.

P. I am inclined to agree with you that if we admit the claims of our transatlantic brethren to stand pre-eminent among the nations for the extent of their education, we must also admit, judging by its fruits in their conduct, that, if not worse, education among them is as indifferent in its quality as that which prevails among ourselves. Let us hope that, with the assistance of boys as happily placed as you are, there will arise an universal spirit of emulation, both in the New World and the Old, not only to extend education where it is still deficient, but to improve it where still defective.

ON TAXATION

AS A MEANS OF PROCURING PROTECTION AND OTHER
ADVANTAGES OF GOOD GOVERNMENT.

P. Let us now return to a matter which formed the subject of one of our earlier conversations. We agreed that "a disposition to respect property" was among the qualities to be classed as good, and to be cultivated accordingly. We found ourselves, however, compelled to admit that this disposition has been, up to the present time, neither so general nor so deep-seated as to lead to a respect for property capable of sustaining, without other assistance, even such an amount of well-being as we have hitherto attained to the enjoyment of. Hence we acquiesced in the necessity of laws, and of the power to enforce them as a supplementary means for obtaining that security of property without which a state of well-being would be impossible. Without attempting to prognosticate how much more widely diffused and strongly implanted feelings of respect for property may become by an education better in quality and provided for all, we have acknowledged that property must be, or ought to be, protected. As it will not do for us to have any doubt about the sense in which we use these terms "must be" and "ought to be," I will inquire—how is it we say that property must be protected, seeing that, with all our efforts, it still remains so imperfectly protected as it is?

B. As we understand it, you use the word "must" to

signify that the highest attainable state of well-being is not to be enjoyed without a prevalence of feelings of respect for property; and that in proportion to our success in providing protection as a substitute for the respect in which many are yet deficient, will be our enjoyment of the well-being derivable from all those other causes which contribute to it?

P. And when we say that property ought to be protected, what do we mean by "ought"?

B. We mean that the thought or wish with all people should be to do their utmost to contribute to the general well-being, and that, as protection is indispensable for the general well-being, property ought to be protected, or all people ought to assist in protecting property.

P. Is "protection to property" an object which could be effectually accomplished by the isolated or uncombined exertions of each individual?

B. No, it can only be effectually accomplished by the united efforts of numbers or of a community. We all know that the evil-disposed, who are intent upon invading the property of others, plan their depredations in secret, fall upon their intended victims by surprise, and act with force sufficient to overmatch any resistance that they expect to meet with. Property, therefore, can only be adequately protected by the organization of numbers, some of whom are ever on the look out, and others ready to act in any direction with force sufficient to deter, and if necessary to beat off any force that might be opposed to them.

P. How can a community, granting the superiority of its power as compared with that of the individuals whose evil designs are to be opposed, bring its power to bear wherever and whenever it is called for?

B. The power of a community can only be brought to bear by enlisting and organizing a sufficient number of its members for the special purpose of affording the protection wherever and whenever it may be required. The assurance that this pro-

tection is ever at hand inspires the feeling of security which enables individual precautions to be partially dispensed with, and deters many not indisposed to assault the property and persons of others from making the attempt.

P. How are the individuals required for the purpose of protecting person and property drawn away from some of the ordinary employments by which wealth is earned, and through which they might fairly hope to acquire the means of comfortable livelihood, and attracted to this which may be called a public service ?

B. They are first promised payment, and afterwards paid out of the wealth produced by others ; and being thus liberated from the necessity of applying themselves to any of the ordinary methods of producing wealth, they are enabled in return to devote their energies exclusively to the work for which they are retained and for which they will have sought to acquire the requisite qualifications. Their liberation from the necessity of producing wealth is made the means of liberating all other members of society from the necessity of contributing by personal service to the protection of the wealth which they produce.

P. In what shape are these public servants or officials paid for their services ?

B. In money.

P. And how is the money obtained with which the officials are paid ?

B. It is collected from the members of the community, among whom they also, as members of the community, contribute towards the pay which they receive.

P. Has any name been appropriated to the money which is collected for the service of the state, or the public service ?

B. The money so collected goes by the name of " taxes."

P. Are the taxes collected from the different members of the community levied upon one uniform system, readily observable, or in such a variety of ways as to demand careful

study and investigation to discover what system has been adopted, or whether they be levied on any system at all ?

B. As far as we are concerned, the system that has been followed has to be learned, for certainly we know, and have thought little about it up to this time.

P. Will you name to me some of the taxes that you have heard of ?

B. Taxes on sugar, coffee, and tea, on tobacco, wine, spirits, and malt ; taxes on houses, horses, dogs, carriages and servants ; besides the property and income taxes, stamps, and probate, succession and legacy duties.

P. You have given me a long list here, and have named the principal taxes that are now levied in this country, although there are still some others of minor importance. There was till lately a much larger number of taxes, and we will endeavour by-and-by to learn the reasons which led to the repeal of some, and to the retention of others. The taxes which you have mentioned, with others repealed and unrepealed, have been classified under other names, with which, I daresay, you are not unacquainted. For example, what collective name is given to all taxes on commodities imported ?

B. Customs taxes, or duties.

P. To taxes on commodities produced at home ?

B. Excise taxes, or duties.

P. To taxes on dwelling-houses, carriages, horses, dogs, and servants ?

B. Assessed taxes.

P. These three, and the property and income taxes, the probate, succession and legacy duties, and the stamp taxes, make up our system of taxation, if it may be so called, which we will examine, while we are studying the larger question of the principles which ought to guide the legislature in deciding what taxes ought to be levied. But are there not other contributions levied upon people which do not go by the name of taxes ?

B. There are the rates for the poor, for the highways, for lighting and cleansing the streets, and for gas and water.

P. Does it appear to you that there is any distinction useful to be drawn between the contributions levied under the name of taxes, and those under the name of rates ?

B. We have heard taxes called the Queen's taxes, indicating that they are raised to provide the means of general government, principally for the purposes of protection, and of inspiring feelings of confidence and security. Rates are levied under the sanction of law, for purposes of local government. On account of the form in which individuals pay for their supplies of water and gas, the term "rates" has been applied to the sums demanded of individuals in payment for them: but as it is quite as optional with individuals to have water or gas as any other commodity in their houses, the payment may be said to be optional also.

P. You must often have heard people complain of taxation. You may have heard much of the privation and destitution that afflict society attributed to the weight of the taxes under which we groan. Has it ever occurred to you to form an opinion concerning the amount of taxes which ought to be levied upon any people ?

B. As small as possible, no more than is necessary to provide the means required for such Government purposes as the general intelligence pronounces to be useful and desirable.

P. Is it your opinion that the trustees who act in behalf of the community, call them by what name we will, ought to provide protection in the same spirit in which our best conducted industrial establishments supply commodities to their customers, that is, of the best quality, and at the lowest price ?

B. Certainly ; and as they are necessarily armed with a power, not possessed by industrial administrators, of insisting that Government services shall be paid for, even by those who profess not to want them, they should be careful not to inflict upon the community a burden more than commensurate with the services rendered.

P. Ought the Government which, as you say, is necessarily armed with a power not granted to individuals, to use this

power in insisting that individuals shall accept, and therefore pay for Government services ?

B. Government services could not be efficiently rendered, if individuals were not bound to pay for them, even when they fancied that they did not require those services. The police, the army and navy, the courts of law, and other Government establishments, to be efficient, must be provided for all indiscriminately. The services proffered by a tradesman are not the less available for those who require them, because they are declined by others. As the benefit of Government services cannot but be participated in by every member of the community, and as the attempt to exclude those who might be unwilling to pay from a share in it, if that could be accomplished, would make the services less effective, the obligation of contributing towards those services must be imposed upon all.

P. Your reasons for making payment of taxes obligatory upon all seem plausible ; but would you make all pay alike ?

B. Seeing how unequally wealth is distributed, and that taxes must be paid out of wealth, equality of payments would not be possible, nor desirable if possible. Paupers have no wealth, but are maintained out of the wealth of others ; and criminals, instead of paying, consume taxes. There must be very many whose stock of wealth is so small, so little removed from pauperism, that it would be hopeless to think of extracting much from them in the form of taxes.

P. Do you think it desirable, in imposing taxes, that one object to be kept in view should be to distribute the contributions over the whole community, somewhat in proportion to the wealth possessed by each individual ?

B. Such a scheme would be more practicable and more equitable than one for taxing all alike.

P. How would a scheme of this kind tell upon the saving as compared with the extravagant portion of the community ?

B. It would, no doubt, throw the weight of taxation upon the former ; and we have agreed that economy ought to be

encouraged, and extravagance discountenanced. This is an objection to distributing taxes with an exclusive regard to the proportions of wealth possessed by each individual which had escaped us.

P. You must, however, be on your guard not to allow the discovery of one oversight to hurry you into forming a definite judgment. You may become sensible of other oversights. Nevertheless, you will do well to keep this one in mind, and to give the weight which is due to it when all the other elements of a sound judgment are before us. How a scheme of taxation adapted to take from each member of the community in proportion to his wealth, would bear upon the saving as compared with the extravagant, is a question not to be disregarded. Could you furnish an illustration of the action of a tax levied *pro ratâ* upon wealth or property, upon these two classes?

B. We might take A and B as representatives of the savers and non-savers among the large masses of society who are born not to inherit, but to earn their own means of maintenance. We may fix upon an average annual income throughout an industrial life of forty years of 200*l.* a year, out of which A saves 50*l.* a year, B nothing. A is the type of persons whom society wishes to see on the increase; B the type of persons whom society desires to become extinct. The first are self-supporting, and contribute to the support of paupers. The second contribute to swell the numbers of the pauper class. Nevertheless, so far as any scheme of taxation can be supposed to act upon the two classes, a wealth or property tax encourages B at the expense of A, the extravagant at the expense of the economical.

P. We may find that not one, but many considerations must weigh with legislators in imposing taxes. What would you say to a scheme which distributed them over individuals in proportion to the expenditure of each?

B. Such a scheme would be free from the objection of holding out any encouragement to extravagance. It might be

thought to weigh heavily upon those who earned low wages and had but little to spend. But even among them, the individuals who were making an effort to save would not be sentenced to bear an extra burden shifted upon them by the less provident.

P. How would an income-tax compare, both with a property-tax and with an expenditure-tax ?

B. It would bear upon the economical, as compared with the extravagant, less heavily than a property-tax, and more heavily than an expenditure-tax.

P. An income-tax which does not distinguish between the sources of income, whether it be derivable from wages, interest, or rent, has been strongly objected to on the ground, not that it allows the extravagant to escape a part of what they ought to pay, but that to tax an income dependent upon health and life, and out of which it is the duty of the owner to save, at the same rate with an income independent of health and life, and out of which the owner has no occasion to save, is to throw the burden of taxation upon those least able to bear it, and to grant remission to those who would only have to pay out of their comparative abundance. Is there not some force in this objection ?

B. Our first impressions would lead us to attach very great weight to it. Nevertheless, if we include "protection," and we think it ought to be included, among the necessities of life, we cannot see why arrangements should be specially made for relieving the thriftless from the obligation of earning it with their food and clothing. If there were no government, they would have to protect themselves. And taxation is but the means through which protection can be most cheaply and effectively provided.

P. But is it not desirable that the burden of taxation should be distributed in such a way as to weigh upon each individual in proportion to his strength and means ?

B. We would not contend that this is not desirable. It might, perhaps, be found that the object aimed at would be

more easily reached by efforts to prevent children from growing up into thriftless men, by efforts to provide for their becoming possessed of strength and means, than by efforts to bestow the fruits of economy upon the thriftless. But we feel that we have more to learn before we can hope to solve all the difficulties which you are presenting to us. Looking upon taxation as extended over a whole life, we cannot divest ourselves of the feeling that the legislator should, if possible, avoid breaking down, by his interference, any of the defences, neutralizing any of the motives to economy, or holding out a premium to extravagance. If A and B were to represent the saving and non-saving among the proprietors of rents and annuities of 200*l.* a year, an income-tax would collect more from the saving than from the non-saving. There may be excellent reasons yet unmentioned for deviating from the principle of "taxation proportioned to expenditure;" but every such deviation in order to relieve spenders must fall upon the saving. It is to be expected, of course, that the non-saving will comprise the poorer classes. The statesman entrusted with devising a scheme of taxation would naturally recoil from the thought of levying taxes upon the poor, especially those on the verge of destitution, and be anxious, at the same time, to do nothing that should encourage extravagance, one of the most copious sources of pauperism.

P. Supposing a proposal to be made for imposing any tax, whether called a property-tax, or by any other name, ought it to be adopted without some preliminary inquiry as to what its bearing would be upon the wealth-fund of the community, a fund still too small for the well-being of society, and also upon the distribution of that fund? Does a tax which is levied out of the saving-fund, as well as out of the expenditure-fund, fall exclusively upon the proprietors of the wealth-fund?

B. We don't see upon whom else it can fall.

P. After people have made savings, how do they generally dispose of them?

B. They either employ them in production, or lend them to

others for that purpose, so as to obtain increase from them.

P. Might they not purchase land or annuities ?

B. Our answer ought to have included that method of applying savings, and also the possibility of making loans to those who will use them for purposes of consumption. But these methods of applying savings would either disengage equivalent savings to be employed in production, or fill up a gap made in the general savings by others who had some object to attain through expenditure or consumption.

P. May we say, then, using the technical language with which you are familiar, that they make capital of their savings ?

B. Yes.

P. And when new capital is created, does it partake most of the nature of fixed or of circulating capital ?

B. Of circulating—in the first instance, at all events. It is an addition to the wages fund.

P. Does not this exposition lead you irresistibly to a conclusion as to the effect of a tax upon savings ?

B. A tax upon savings, is a tax upon the wages-fund—an impediment so far in the way of its increase.

P. In the way of an increase of that which has hitherto always been too small ?

B. We must say "yes" to that also.

P. Are any of the taxes which you have named, taxes upon expenditure ?

B. Yes, the house, and other assessed taxes. These may be accepted as one proof of the anxiety of our legislators to proportion taxation to expenditure, and at the same time to spare the poorer classes, since houses rated at less than 20*l.* are exempted from the house-tax.

P. Are there not others of our taxes which ought to be included among taxes on expenditure ?

B. There are the customs and excise taxes.

P. Are not these taxes paid by importers and producers ?

B. Not in the same sense that the house-tax is paid by the tenant or occupier, because they charge the taxes which they pay to the customers who purchase their taxed commodities.

P. And are their customers compelled to pay this charge?

B. We cannot say that they are compelled; but if they choose to buy and consume a taxed article, they cannot escape paying the tax; and if that be true, the importer or producer of the article taxed should rather be said to advance than to pay the tax which the consumer really pays.

P. In what form is the charge for the excise or customs tax made upon the consumer?

B. In the form of an increased price for the article taxed.

P. When a new tax is imposed upon a commodity, is the quantity of that commodity likely to be diminished, or the desire to consume it likely to be increased?

B. Not that we know.

P. But if there be no increase in the demand, nor diminution in the supply, how can there be a rise in the price, and how can the importer or producer of the newly taxed commodity obtain repayment of the tax which he has paid or advanced?

B. You have made it difficult for us to answer both your questions without giving in to some appearance of contradiction. A tax suddenly imposed upon a commodity does not forthwith cause any diminution in its quantity; but it may cause a diminution in the future supply to be brought to market, or cause a withdrawal from the market of some portion of the supply, till the newly-taxed commodity could be disposed of at former prices, *plus* the tax imposed. Nor does it cause any increase in the desire to consume the commodity, although an increased desire might arise to acquire possession of the commodity with a view to future sale at an enhanced price.

P. How might the imposition of a tax bring about a diminution in the future supply?

B. In this way. The parties who supply the market, be they producers or importers, have, before the tax was imposed,

been paid a certain average price which, we may assume, yielded them the average profit, and no more. After the imposition of the tax, to obtain the same profit, they must receive the same price as before, with the amount of the tax added to it. But if, on demanding this increase of price, their customers demur, or purchase a smaller quantity of their commodity than before, they must either submit to a lower price than they had asked, or withdraw some portion of what they had been desirous of selling from the market. Should they be unable to hold the newly-taxed commodity, needing the money, some new purchaser, tempted by a price which he was persuaded must ere long rise sufficiently to yield the ordinary profit to those who would persevere with the production or importation, and consequently compensate him for buying in order to sell at a future time, would come forward to buy and withdraw from the market till the anticipated rise of price took place.

P. Will you illustrate your reasoning by applying it to some particular commodity?

B. We will take an imported commodity—tea. We will suppose that it has been sold for many years at an average price of two shillings per pound, which price, of course, covered the whole cost of production, ordinary profit of the importing merchant included: for otherwise the importation must have fallen off. Neither would that price have covered more than such cost: for otherwise the importation must have been larger. Under these circumstances, the legislature lay a duty of one shilling per pound on tea. If the consumers forego no part of their consumption when the importers put up their price to three shillings, the trade continues as before the tax, excepting that consumers pay to the state one shilling for every pound of tea which they consume. But should the consumers diminish their consumption of tea, the price could not be sustained at three shillings, except by a withdrawal of part of the supply from market by the merchants, or through the intervention of new purchasers intent upon buying, not for

consumption, but for re-sale at a future time. Purchasers of this kind would evidently only be attracted by a price for the time considerably under three shillings, duty included. The importing merchants, however, import to sell, not to hold, and there would be cargoes on the way to them, in the expectation of obtaining two shillings per pound clear of duty. If, therefore, the importing merchants were compelled to submit to a less price than three shillings after paying duty, or to keep back part of their stock from market when able to hold, they would suspend or diminish their imports till the reduced supply brought about a three shillings price, the least that would yield prime cost, charges, and ordinary profit.

P. Might not the reduced demand in China or other exporting market cause a fall of price there, and thus, by reducing the prime cost, lead to a price permanently below three shillings in the taxed importing country?

B. If the price at which the tea had previously been purchased abroad was more than sufficient to yield an ordinary profit to the producers, causes independent of the tax would be in operation to bring about a fall of price; but such a fall of price, when it did occur, could not be attributed to, although it might be somewhat hastened by the tax. If, however, the export price had been no more than remunerative to the producer, a fall below that price, were it to occur at all, could only be temporary.

P. Would a similar chain of proof lead you to a similar conclusion in regard to all customs and excise duties?

B. Yes. The taxes, although advanced by the importers and producers, are paid by the consumers of the taxed commodities.

P. If the newly taxed commodity were of a very perishable nature, such as fruit or vegetables, how could the producer obtain an increased price from resisting purchasers by withdrawing his commodity for a time from the market?

B. The producer of perishable commodities is aware, through previous experience in his business, that he will always be

compelled to submit to whatever price is procurable for the time. As a compensation for his unavoidable exposure to heavy loss on small quantities, he is free from protracted loss on large stocks. He is able to limit future supplies at much shorter notice than producers of commodities, the stocks of which are generally large. Whether by withholding comparatively imperishable commodities from the market, or by quickly diminishing the production of perishable commodities, it clearly can only be a question of limited time as to when prices shall rise so as to compensate the importers and producers for the customs and excise taxes imposed upon them.

P. Has any collective name been given to those taxes which being levied from one set of people, are nevertheless inevitably paid by another, through the advanced prices of the commodities which they purchase for consumption?

B. Yes, they are called indirect taxes, to distinguish them from other taxes which are called direct.

P. Does it appear to you that any valid objection can be made to a system of excise and customs duties to be imposed upon all commodities purchased for consumption, *ad valorem*, or in proportion to their several values?

B. It would be the same thing as a *direct* tax upon each individual in proportion to the value of what he consumed. As we did not discover any hardship or grievance in such a tax, as to its bearing upon particular individuals or classes, so neither can we in *ad valorem* excise and customs taxes made applicable to all commodities. The only objection to them, which however might be fatal, is that it would be difficult, if not impossible, to collect them, or if possible the expense would be too great to warrant its being attempted.

P. As there is no objection to customs and excise taxes ranging over all commodities taken for consumption, except the difficulty and expense of collecting them, do you know of any objection to the customs and excise taxes as they prevail with us?

B. We dare not affirm that there is none, but we certainly

he not know if any. If in order to avoid difficulties in the way of taxing all commodities taken for consumption, so great as to be insuperable, the attempt were to be limited to a small number, which might fairly be taken as representatives of the whole number, no objection could attach to the part that would not have been applicable to the whole.

P. I will put my question in another form. Granting that the only objections to a system of taxes ranging over all commodities purchased for consumption, would be the expense and difficulty of collection, you see no objection if, instead of a tax of five per cent. upon all such commodities, a tax say of twenty per cent. were imposed upon a limited number from which the tax could be readily and cheaply collected?

B. It does not occur to us that there would be any objection, it being understood that the commodities taxed are fair representatives of all commodities as to the proportions in which they are consumed by all classes of the community.

P. The principal indirect taxes in this country are those on malt, spirits, tobacco, tea, sugar, coffee, and wine. May they be accepted as tolerably fair representatives of all commodities taken for consumption?

B. We do not see why they may not. The commodities named are collectively consumed, more or less, by all classes, and yet they are not indispensable necessities of life like bread, meat, clothing, fuel, building materials and furniture, which are nearly untaxed.

P. If there could be a question whether these taxes on consumption might not fall with disproportionate weight upon the poorer classes of society, do you think that such disproportionate weight would be counterbalanced by the weight exclusively imposed upon the wealthier classes through the assessed taxes?

B. We are inclined to say that it would be more than counterbalanced.

P. The property and income tax is another source whence a large portion of the means for Government expenditure are derived in this country. But all incomes of less than 100*l.* per

annum are exempted from that tax. What do you think of this exemption ?

B. It is some proof of a desire, at least, in those who apportion the burden of taxation, if they err at all, to err in relieving not only the poorer classes, but the classes immediately above them. That large portion of the community which earns wages of thirty shillings a week and under, by spending with thrift, will pay little through indirect, while they pay nothing through direct taxes.

P. Comparing direct, with indirect taxes, do you incline to give a preference to the latter ?

B. If certain difficulties could be removed, we should prefer the former. Circumstanced as we are, our mixed system has advantages over either adopted exclusively.

P. What are the difficulties to which you refer ?

B. It appears to us that if an assessment could be made upon each individual approximating to his expenditure, making an abatement, if thought expedient, in regard to the poorer classes, the means required for the Government service would be raised much more economically and with much less disturbance to the general business of production. Whether it will ever be possible to devise a plan for accomplishing this we know not ; but the difficulties which would prevent it, were it to be attempted now, are the lack of that intelligence and of the conduct inspired by that intelligence which are indispensable to admit of a successful collection of direct taxes from all classes by the Government officials.

P. In what way would the further intelligence which you are thinking to be needful, act in aiding the collection of direct taxes ; for intelligence is said to be sometimes used in evading taxes ?

B. Perhaps cunning or sharpness, nourished by partial knowledge, which always implies partial ignorance, would be a better expression than intelligence, for the state of intellect which leads a man to evade taxes or any other payment for which he is liable. But the state of intellect which we mean

by intelligence is that which enables men to appreciate how much less they would have to pay, if the collector of taxes could rely upon finding each person's quota of taxes ready prepared to meet his call. It has been estimated that if the government expenses could be provided for by direct taxes there would be a saving of one third or even more.

P. Do you really think that a higher order of intelligence diffused among all classes of the community would make it possible to raise the whole of the funds required for government purposes by direct taxation?

B. We would rather say "might" than "would make it possible," understanding, even then, that we do not leave out improved conduct as a consequence of increased intelligence.

P. Do not the difficulties in the way of direct taxation present a somewhat formidable appearance, leaving small hope of their ever being conquered?

B. We may have small hope of their being soon conquered, and yet feel almost certain that they may be conquered when a better and more general education has had time to do its work.

P. Can you place the difficulties which would now obstruct the attempt to raise the whole of the revenue for Government purposes by direct taxes in a more tangible form, so that it may be easier to judge whether and when they may be overcome?

B. We fear that many of the consumers of spirits, malt, and tobacco, who now pay largely through indirect taxes, would be ill-prepared to pay the collector of direct taxes. With indirect taxes, they pay first, and drink and smoke afterwards. With direct taxes, they would drink and smoke first, and many would not pay afterwards. The drunken, the wasteful, and the reckless, only pay to the Government when their funds are intercepted, by making consumption impossible till after tax-paying. The intelligence, on which alone reliance can be placed for making a better system of tax-collecting possible, is that which can and will impart to the young a clear apprehension of the distinction between good and bad conduct, and

of the power which they possess over their own future habits and conduct. An additional inducement to practise good conduct, although not required, would be furnished by the knowledge that every advance in good conduct will bring with it a diminution in the amount of taxes to be collected.

P. Are not many of the payers of indirect taxes quite unconscious of what they do pay? and is not the difference in this respect between direct and indirect taxes, one of the facilities presented to legislators which have led them to resort to indirect taxes?

B. Most probably; and when the higher order of intelligence, which it may be hoped is in store for us, shall cause the blessings of good government to be appreciated as they deserve, the duty of everybody to contribute his quota for its expenses to be generally recognized, and the incidence of indirect taxes to be well understood, as well as the great saving consequent upon directness of payment—this, in company with the improved habits sure to accompany such intelligence, will make direct collections acceptable to the people, and possible to the Government.

P. Is there not one recommendation of indirect taxes which we have omitted to notice? Do they not present an opportunity to the legislator of restricting the consumption of commodities, excess in which is sure to be attended with the saddest consequences?

B. You are thinking of such commodities as spirits and tobacco. It certainly seems desirable that commodities in which many people are in the habit of indulging to excess, should be made the special subjects of taxation, and this can only be done through indirect taxes. When the improvement in intelligence and deportment to which we look forward shall have arrived, this recommendation in favour of indirect taxes will disappear.

P. As statesmen are under the necessity of adapting their measures somewhat to the state of the people among whom they are placed, do you think they are acting wisely in resorting

to indirect taxes, as a means of raising a large part of the revenue required for Government, and in selecting such commodities as spirits and tobacco as special objects of taxation?

B. We do ; provided always that the taxation of spirits and tobacco in order to raise their price, and to place excess in consumption out of the reach of as many as possible, be not used as a substitute for the teaching and training through which alone it can be hoped to inspire a horror of excess, and to cultivate habits of sobriety and self-respect.

P. I rejoice to observe how deeply you are impressed with the conviction that the diminution of drunkenness and other vices, and their eventual disappearance, are to be brought about through the cultivation of virtuous propensities in the inner man, rather than through the keeping up of external impediments in the way of indulgence of vicious propensities. If your expectations of progress were to be realized one of these days, and the great improvement in intelligence and conduct, which you look forward to, were to bring with it a greatly diminished consumption of spirits and tobacco, how would that portion of the revenue now derived from taxing those commodities be raised?

B. By taxing the commodities which would be consumed in their stead, unless the diminution of revenue originating in this cause should be accepted as a sign of the fitness of the people to be trusted to pay their several quotas of taxes direct to the tax-collector.

P. Among other reasons for preferring direct to indirect taxes, where the intelligence and condition of a people will admit of the abandonment of customs and excise taxes, you have assumed that there would be a saving in the cost of collection. What grounds have you for this assumption?

B. We must confess to having heard the greater economy of collection as regards direct taxes asserted, and to having accepted the assertion on trust. It seemed to us so highly probable, that we never thought of calling it in question. One thing is certain, that if the whole revenue, instead of a part,

were raised by direct taxes, the machinery for collecting the excise and customs taxes might be dispensed with.

P. And might not the machinery for collecting the direct taxes be dispensed with if the excise and customs taxes were raised sufficiently to satisfy all the requirements of Government?

B. Certainly. The comparative costs of raising a revenue by direct and indirect taxes can only be ascertained, we suppose, by a reference to the actual accounts. Meantime, as far as we can judge, appearances strongly favour the opinion that the collection of the indirect taxes must be the most costly.

P. Do you include in the charge of collection the expense of employing customs and excise officers, searchers, coastguard, and others attached to those more immediately engaged in collection?

B. Yes; for these are a necessary part of the machinery of collection. The payments evaded by those who successfully outwit the Government collectors, although they do not find their way into the public treasury, are, nevertheless, levied upon the consumers through the advanced price which they pay.

P. Your last answer suggests another consequence of taxation, which ought not to be overlooked in estimating the advantages and disadvantages of different modes of raising a revenue for Government purposes. People are quite as apt to disobey and evade revenue laws as any others. Government must, of course, resist attempts of the kind as best it can. But it is desirable, also, that openings and temptations for evasion should be as small as possible. Can you give me any notion of the kinds of opportunity and temptation for evading the payment of taxes which are presented by our customs and excise regulations?

B. Foremost is the temptation held out to smugglers. When the duties are very large in proportion to the prime cost—as in tobacco—every time the smuggler succeeds in

increasing its price proportionally to the rise in the price of the raw material. Next is the temptation to adulterate the raw material. Every addition to the quantity of raw material used becomes also an addition to the quantity of adulterated material. Hence, there is the temptation to adulterate the raw material in order to escape the payment of the excise duty on the adulterated material.

C. Is there reason to suppose that smuggling, adulteration, and illicit distilling are carried to any great extent?

D. It is more difficult to estimate the extent of successful smuggling of the revenue laws. Judging by the numerous instances of successful smuggling, there is ground for supposing that the smuggling cases were not so numerous, or attempts at evasion would be given up, if the tax were not so high, because they were large.

E. You have enumerated some grave objections to indirect taxes. Have you any more to add to them?

F. Yes: the impediments placed by them in the way of commercial and manufacturing operations. The loss from waste of time in complying with the forms to be learned and observed, and from the difficulty of obtaining permission to make experiments and adopt new methods is held to be a very considerable aggravation to the consumer of the tax which accrues to the Government.

G. In what way is the aggravation brought home to the consumer?

H. In the price which he pays for taxed articles. The price of each taxed commodity will be raised, not only by the amount of the tax imposed, but by the additional cost forced upon producers by the necessity of complying with excise and customs regulations. There is, besides, the shutting out from the consumer of the diminution of price with which he might have been favoured through the diminished cost of production obtainable by improved methods nipped in the bud, stopped at the outset, by those very regulations.

P. Is it easy to convey an adequate idea of the indirect losses liable to be inflicted upon society by excise and customs laws, if we confine our thoughts to the increased prices of which these taxes are the causes? Or is it more to the purpose to describe minutely and accurately all the collateral obstructions, not thought of or intended, but, nevertheless, introduced by taxes, which may aggravate dearness or neutralize causes of cheapness far beyond any effect indicated by the amount of the taxes themselves?

B. The latter course is the more to the purpose. Looking back from prices, we may fancy the most sagacious to be puzzled to point out all the elements which have entered into them; but there can be no mistake how excise and customs regulations will raise prices or prevent their fall, if they increase cost of production or prevent diminution of cost by preventing improvements.

P. The experiences of modern times, it may be hoped, will prevent all future legislators from falling into mistakes similar to those out of which we have only just escaped. It seems to be the destiny of mankind to suffer from mistakes before they can make sure of avoiding them. The enormity of the loss and privation endured through such taxes as those, happily repealed, on soap, glass, and paper—immeasurably beyond the revenue accruing to Government—is so generally recognized that their reimposition is as improbable as a return to the slave-trade, the press-gang, or the trial by wager. But now tell me, are there not some disadvantages connected with the direct taxes to be set off against those which attach to the indirect?

B. That may be inferred, since the attempt to raise the whole revenue by direct taxes has been abandoned on account of them. Want of conscientiousness and disregard of law make indirect taxation more oppressive than it need be, and direct taxation less possible.

P. Your remarks apply to a system of direct taxation in which the taxes would be distributed nearly in proportion to each person's consumption. But taking the direct and in-

direct taxes, as they exist among us, are the opportunities and temptations to cheat and evade, and the obstructions to industrial effort and improvement, as great in the direct as in the indirect ?

B. The direct taxes cannot be said to create any obstruction to industry. In that respect, indirect taxes are at a disadvantage. Our direct taxes might be charged with giving a preference to the extravagant over the economical. As regards the comparison between the facilities for evasion and fraud respectively presented by the two kinds of taxes to which you invite us, we feel that we have not the knowledge requisite for attempting it.

P. There are specialities connected with each which might incline you to lean towards one side, if not to come to a positive decision. A fraud upon the public revenue, in whatever way committed, intercepts a part of the funds required for the expenses of government. The part so intercepted must be made good by additional taxes, or Government works of some kind be starved to the extent of the frauds committed. Leaving aside the question of possible frauds by Government officials or collectors as common to both kinds of taxes, we may ask, when an individual defrauds the Government of any portion of the direct taxes, whose contributions does he intercept ?

B. His own.

P. If the amount of which he defraud the Government be large, will he be a rich or a poor man ?

B. A rich man.

P. Who are the more exposed to the temptation of committing frauds, the rich or the poor ?

B. The poor. One of the reasons which ought to weigh with us for cultivating, while young, habits of industry and economy, besides their being essential for securing our own well-being, is to enable us the better to resist the temptation of infringing the rights of property, public and private.

P. Whose contributions are intercepted by him who commits a fraud through the indirect taxes ?

B. Other peoples'. Not his own.

P. Will frauds through the indirect taxes be large or small according as the perpetrator of them is rich or poor?

B. Rich men, as a rule, keep clear of these transactions. To say nothing of their greater sensitiveness to disgrace and of their smaller exposure to temptation, the penalties to which the fraudulently disposed become liable for infringing revenue laws are more likely to be feared by men of wealth than by those who have little to lose.

P. Do the facts, as far as we can get at them, justify your suspicion that large frauds through the indirect taxes are committed by comparatively needy people, while large frauds through the direct taxes can only be committed by persons possessing considerable wealth?

B. We should say so; for whenever attempts to evade the excise and customs taxes are detected, the sums which would have been appropriated by the culprits if successful, are seen to be large, at all events as compared with the means of the culprits, and the culprits to belong to the poorer classes.

P. What are the facilities afforded to rich men, if so disposed, to commit frauds through the property and income taxes?

B. As far as we can judge, few. Their possessions are notorious. In very many cases, the contributions for which they are liable are paid through tenants and others who pay to the Government collectors and deduct their payments from the amounts due by them to their landlords or other proprietors of income payable by them. The income-tax on Government annuities and on the dividends from public companies are all paid in this way. The accounts of the railway, dock, canal, water, gas, insurance, banking and other large companies, are sufficiently public to preclude all opportunity for fraud. Even among the less wealthy merchants, manufacturers, and ship-owners, their clerks are generally acquainted with the proximate earnings of their employers, thus making it highly probable that detection will follow upon any fraud.

attempted. The incomes of professional men are more hidden from inspection; but their position in society and their regard for their own characters may, we think, be trusted in as sufficient securities against danger of many or large delinquencies from that quarter.

P. It will interest you to know that for the last thirty years the changes, which have been introduced into our financial legislation, indicate a more decided recognition than heretofore of the principles upon which your answers have been based. Our indirect taxes have been considerably reduced, and concentrated more and more upon a limited number of commodities, thus removing obstructions to interchange and other industrial operations. You have pointed out where the difficulty is, and by what means we may be able to overcome the difficulty, which prevents the raising of the whole revenue required for Government purposes by a process of direct taxation apportioned over all classes, regard being had to the several amounts of expenditure and to the ability to contribute towards the cost of the protection enjoyed by them. I need not exhort you to make yourselves worthy exponents of the principles which you understand, and to qualify yourselves to become active agents for promulgating and recommending them around you.

ON TAXATION

AS A MEANS OF PROCURING OTHER ADVANTAGES BESIDES
THOSE OF GOOD GOVERNMENT; AND ON SOME SUB-
STITUTES FOR TAXATION.

P. Facts and suggestions enough have been brought before us to enable you to take a clear and comprehensive view of the origin and object of taxes, and of the principles which ought to guide those upon whom is devolved the duty of determining the forms in which they should be applied, regard being had to the intelligence and habits of the people among whom they are placed. Other questions have from time to time been mixed up with them. It has been thought that the legislature ought not to neglect certain opportunities of benefiting the people which the necessity of laying burdens upon them happily brought with it. We have noticed one—that of checking the consumption of commodities which ill-regulated people are prone to indulge in to excess. If, for example, two such commodities as bread and spirits were to be submitted to the consideration of the legislator as objects for indirect taxation, and enough revenue could be obtained by taxing one only; spirits should be the one fixed upon, so that their enhanced price might place them rather more beyond the reach of reckless consumers than they would otherwise be. In fact, the propriety of adopting indirect taxation being admitted, the only limit which the legislature would impose upon themselves in drawing a portion

of their revenue from such a source, should be that arising out of the fear of encouraging the smuggler and illicit distiller. You, I am sure, would be ready with me to forego all advantages derivable from concentrating taxes upon the means of drunkenness, were they to be made an excuse for remitting exertions to prevent the growth of propensities which lead to that hateful vice. Another opportunity, arising out of indirect taxation, for benefiting people, is supposed to be found in the encouragement which may thereby be offered to certain branches of industry. An incidental advantage, also, not to be lost sight of, is thought to be that of extracting the means of defraying a portion of the expenses of our Government from the resources of foreigners instead of our own countrymen. As an example of the method of attempting to make a branch of industry thrive in a country where, without taxation or other intervention of like character, it might continue unknown, we may suppose a customs tax of twenty per cent. *ad valorem*, to be imposed upon manufactured goods of any description, no corresponding excise tax being imposed upon similar commodities manufactured at home. What would be the effect of such a tax?

B. To so general a question we can only answer, to raise the price of all the commodities on the importation of which the customs tax was imposed, or else the importation would be discontinued.

P. If any commodities similar to those taxed on importation had been previously manufactured at home, what would be the effect of the customs tax upon them?

B. In the first instance, to raise the price, and accordingly to place a large extra profit within reach of the home manufacturers, and thus to induce them or others attracted by the extra profit to engage in extended manufacture till the increased home supply brought back prices to a level at which no more than the ordinary profit could be earned.

P. Would the object aimed at be attained?

B. It would, understanding the object to be to bring about

the manufacture at home of what had previously been imported from abroad.

P. What amount of revenue would be obtained for the purposes of Government through a tax so acting?

B. None at all; since the importation of the taxed articles would cease.

P. Would the community be benefited by such a customs tax?

B. If the customs tax were sufficiently large to prevent entirely the importation of the commodity taxed, the benefit, if any, would be the raising up or the extension of a branch of manufactures at home, and the destruction of a branch of foreign commerce.

P. Would your conclusion hold good to whatever description of commodities the customs tax might be applied?

B. Yes: and supposing the customs taxes to be sufficiently large to raise prices so high as to destroy all inclination on the part of consumers to purchase at them, either home-producers would produce similar commodities at a cost admitting of prices which consumers would consent to pay, or the supply of the commodities previously imported would be extinguished.

P. What would be the effect upon our foreign commerce, if customs duties of the character just described were to be imposed upon all commodities?

B. It would be extinguished.

P. What would be the effect upon the wealth of the community?

B. To diminish it greatly.

P. Do you feel quite confident, or do you only think that diminution of wealth must be a consequence of taxing commodities so as entirely to prevent their importation, and thus, where possible, to lead to their production at home?

B. We think we are borne out in saying that we feel quite confident. For when merchants import commodities from abroad, they do so either because they could not otherwise procure them at all, or because they can obtain them cheaper by importation than they could buy them at home. If from the

merchants who import, we extend our thoughts to the community which imports, we cannot miss seeing that it obtains a larger quantity of the commodities which it desires to consume, by producing other commodities to give in exchange for them, than it could by attempting to produce them at home. If prevented from importing, it must put up with the diminished quantity alone producible without the intervention of foreign commerce.

P. If the customs duty were not so high as to put a stop to importation altogether, but only to diminish the quantities imported, do you consider that the customs duty would still act unfavourably upon the general wealth, either by diminishing it, or by preventing its increase ?

B. Yes ; but not so unfavourably as when the customs tax put a stop to importation altogether.

P. Some commodity largely consumed, partly of home growth, and partly imported, is best adapted to try the comparative merits of a tax levied upon the whole quantity taken for consumption, and of a tax upon the quantity imported only. We may select corn, and assume that forty millions of quarters are annually consumed ; thirty millions being grown at home, and ten millions imported. We will next suppose that it is required to raise a revenue for Government purposes of 20,000,000*l.* : what tax upon corn would yield this sum ?

B. A tax of 10*s.* per quarter upon the whole quantity.

P. What other effect would be produced by such a tax ?

B. The price of corn would be raised to the extent of 10*s.* per quarter ; but if no corresponding tax were imposed upon potatoes, rice, and other commodities usable as substitutes for corn, consumption would be diverted from corn to them, and capital thereby be diverted also from the production of one to the other, while the revenue from the tax on corn would be less than the 20,000,000*l.* anticipated.

P. If a corresponding tax were imposed upon other eatables, would that effect of a tax on corn be prevented ?

B. Yes : at least, we cannot see why it should not,

P. If instead of such a tax on all the corn consumed, a customs tax, or a tax on imported corn only, of 10s. per quarter were imposed: what amount of revenue would be obtained by the Government?

B. Not more than 5,000,000*l.*, or 10s. per quarter on ten million quarters; most probably much less, since the rise of price consequent upon the customs tax would cause capital to be directed to the raising of more corn at home; and the increased home-growth would keep the price of corn at too low a range to admit of the same importation as before.

P. How would the Government be able to obtain the 20,000,000*l.* revenue of which it was in want?

B. By the imposition of other taxes, to make up all that was not yielded by the customs tax on corn.

P. When a tax is imposed upon a portion only of the whole quantity of any commodity taken for consumption, or when a larger tax is imposed upon one portion than upon another, the tax is called discriminating or differential. Which appears better adapted to raise a revenue for Government purposes, a tax upon the whole quantity of a commodity, or a differential tax?

B. There can be no doubt about the answer to that question, a tax upon the whole quantity.

P. Are there any advantages connected with differential duties which counterbalance the disappointment in obtaining an amount of revenue commensurate with the increased price payable by consumers?

B. None that we are aware of.

P. Did you not say that a differential duty on corn would cause more corn to be grown than before on our own land, and is not that an advantage?

B. More corn would be grown upon our own land, but less would be obtained for consumption than might be produced by the same quantity of capital and labour differently employed.

P. Are you prepared with any proofs to justify that assertion?

B. The proof is to be obtained by making a comparison between the doings of the capitalists of a country before and after the imposition of a differential duty. Before the differential duty, they employ their capital in those ways by which they expect to earn the largest profit. After the duty, with the same object in view, the employment of their capital undergoes a change, because the differential duty prevents their importing, while it makes it worth their while to produce at home at greater cost than before. The largest profit before the differential duty being sought for, through producing the largest possible quantity of corn by a given quantity of capital, the shifting of that capital caused by the duty must be followed by a smaller quantity of corn rendered remunerative to the capitalist only by the enhanced price. Thus the capital of the country is diverted through the instrumentality of the differential duty from the more to the less productive employment, from the less to the more costly mode of producing. The land is made to produce more corn because its cultivation for other things, such as cattle and green crops, is given up, and the entire capital of the country is made to produce less.

P. If it be satisfactorily established that no advantage can be obtained by making indirect taxes differential, or, rather, that the attempt to obtain any, must result in displacement and waste of productive power, can you think of any other advantages besides those already mentioned, which can be brought within our reach by adopting a system of indirect taxation?

B. We are not aware of any others. The adoption of indirect taxes at all seems to be justifiable for no other reason than that it is the only opening presented to the legislator, in our present state of civilization, if he would aim at proportioning taxation to the relative expenditures of individuals. Being driven to indirect taxation, in it he finds the opportunity of specially taxing those commodities excess in the consumption of which is most likely to be indulged in to the demoralization of individuals and the detriment of society. There is nothing

more that we are acquainted with to be urged in favour of indirect taxation.

P. There are other taxes, some few of which will, I dare say, have come under your notice. The penny stamps attached to receipts for sums of two pounds and upwards, must often have been seen by you. Penny stamps are also required to be attached to all cheques drawn upon bankers. It is necessary to use stamps of much larger amount for other documents and deeds, such as bills of lading, policies of insurance, leases, transfers, deeds of purchase and sale, &c. Contracts of these kinds are not legal, that is, they are not contracts unless stamps in conformity with the rates ordained by law are affixed to them. A large amount of revenue for Government purposes is raised by these stamps. Will it be an easy matter to determine whether these stamps partake more of the nature of taxes on consumption, or of taxes on property?

B. We should say, not very easy. To us it would be more than difficult. It is quite beyond us. Some stamps seem to be taxes of one kind, some of another.

P. Could you not point to features in any of them which might incline you to decide one way or another?

B. Stamps on deeds of transfer in the sale of property, whether of land and houses, or of annuities and shares in joint-stock companies, seem to us to partake of the nature of a tax on property. Most of the other stamps will fall more properly into the class of taxes on consumption.

P. Do you think that this latter proposition ought to be received as self-evident? Does it not justify my asking for some proof or elucidation?

B. The stamps that we had in our thoughts while answering so abruptly, are those paid by merchants and others engaged in production. The stamps which they are obliged to buy in carrying out their industrial operations, form just as much a portion of their cost of production as the customs and excise taxes which we have examined. And to be repaid the cost of production in the average sale price is, as we have concluded

over and over again, a condition for the continued production of any commodity with those who bring it to market.

P. Shall I be right, then, in understanding it to be your opinion that, where stamps act as indirect taxes, they are taxes upon consumption, but that otherwise they are taxes on property?

B. You will be right as regards the stamps which act as indirect taxes; but we are hardly prepared to say that all other stamps must be property-taxes. We think on examination they will be found to be so mostly.

P. How will they stand a comparison with customs and excise taxes, so far as they are indirect, and with the property and income tax, so far as they are direct?

B. Would it not be presumption in us to attempt to answer this question? Is it not quite beyond our strength?

P. I certainly would not have put such a question to you at the beginning of our conversations; and even now I may be drawing upon an amount of knowledge hardly to be acquired except through participation in industrial work. I can, however, shape my question so as to bring out the principles which ought to be attended to in comparing the merits and demerits of different kinds of taxes. If so much of the revenue as is drawn from the stamps which act as indirect taxes were to be obtained by an addition to the customs and excise taxes, would not that substitution be a great improvement?

B. All the expense of collecting the revenue from the stamps abolished would be got rid of. In the additional duties imposed upon commodities already taxed, or in the duties imposed upon commodities heretofore untaxed, it would have to be considered how far the additional temptations to smuggling, adulteration and illicit manufacture, might not more than counterbalance any disadvantages that can attach to stamps.

P. Would there be any similar drawback, if it were attempted to substitute an additional property-tax for those stamps which may be supposed to act as a property-tax?

B. Not that we see ; but the expense of collecting revenue by stamps would be but little diminished, if the stamps were not got rid of altogether.

P. The question then arises, whether the objections to raising a revenue for Government through stamps, as they are imposed in this country, are greater than those unavoidable with other taxes. For, if they are not, since the revenue must be obtained, there can be no advantage in discarding one set of taxes for another. Disturbance of any kind is to be avoided unless for improvement sake. We have had before us some of the objections which attach to customs and excise taxes. Can you mention any which are peculiar to stamps ?

B. Some objections apply to stamps in general ; others to particular stamps. The objections to all stamps are that they are obstructions in the way of rapidity and facility of interchange. People in business have to learn and practise whatever is indispensable for conducting it satisfactorily. They must also learn and comply with all the regulations that are interposed by Government. They must ascertain and procure the stamps without which their contracts would be illegal, and errors and omissions in which expose them to the danger of finding important contracts repudiated, and well-laid schemes frustrated, and of suffering other serious inconvenience and loss. Objections to particular stamps may be illustrated by those which attach to stamps on all kinds of insurance, tending as they do to discourage those habits of prudence which lead individuals to guard against rare but severe losses, by certain but slight sacrifices.

P. Have you exhausted all the objections which attach to stamps as a means of raising revenue for Government ?

B. No other occurs to us ; but if we are not misinformed, the difficulties and increased labour introduced by stamps into commercial operations are greater than might be supposed by people who are not engaged in business. And allowing that similar, or even greater obstructions to commerce are consequent upon customs and excise taxes, if one of the two

could be got rid of, the evil would, at all events, be partly abated.

P. Did you ever read or hear of prosecutions for forgery of stamps? And is there no risk that the stamps required by law may be unused, and the payment to Government thereby evaded?

B. Evasions in the case of stamps would be equivalent to smuggling and illicit manufacture in the case of customs and excise duties. Forgery in connection with taxes, is an evil peculiar to stamps. This we had not thought of, and it is an evil great enough to deserve considerable pains and sacrifice for its prevention.

P. It will suffice for you, at your age, to have obtained a mastery over the leading principles which ought to guide your judgments in estimating the comparative merits and demerits of different kinds of taxes. Hereafter you will have no difficulty in applying them to cases as they arise, when suggestions may be thrown out for repealing, extending, or modifying the taxes through which Government is enabled to surround us with its protection. What would you say to a contrivance for supplying Government with its means, or part of its means, taking at the same time nothing from individuals?

B. We cannot but say that such a contrivance would have our preference over every other. We suppose you are going to surprise us with one of those prodigies which are sometimes pointed at as "wonderful if true."

P. I see that you do not believe in my ability to show you any such contrivance.

B. We confess we suspect your design to take us off our guard and lure us into some admission or expression of assent to be abandoned soon afterwards as untenable. Taxes are but a portion of wealth. Wealth must have been produced and must be held by somebody. How, then, can Government obtain possession of wealth which was not already its own, except by taking it from somebody?

P. While you are laudably cautious in admitting without

proof what I hope to show you is not so incredible as you seem to imagine, you have rushed into an assertion of something that you will be puzzled to make good. Have you ever heard of people who have died without leaving a will or relations to claim the inheritance of their property ?

B. We have heard and read of such cases. They did not occur to us ; but surely they cannot be very numerous. And we doubt whether the property connected with them be large enough to deserve notice in an enumeration of the resources at the disposal of Government for defraying its expenses.

P. Perhaps it is not. But the consideration of these cases may bring to our notice other resources, some of which have already been availed of by legislators, and some which have been neglected or turned to less account than they might be. When property is deprived of owners by the death of persons who have left neither relations nor wills, by whom is it appropriated ?

B. By Government officials for Government purposes.

P. Does it occur to you that any better disposition could be made of this property ?

B. We cannot think of a better. Nobody is deprived of it. If Government were to abandon or neglect the appropriation of it, they would have to take its equivalent from possessors of property in order to supply its place. Even if some most judicious mode of applying it could be suggested, the legislature would not be precluded from acting upon the suggestion after the Government had taken possession of it.

P. You are aware that our Government have to pay about 80,000,000*l.* a year, under the name of dividends, to the proprietors of stock or annuities ; and you will have heard that some of these dividends have remained so long unclaimed as to make it all but certain that rightful claimants never will come forward. The Government appropriate these dividends, subject to any claims to them that may hereafter be established. Do you approve of this appropriation ?

B. We cannot do otherwise, with the condition attached of

not denying or endangering the rights of any claimants who may present themselves.

P. There is another fund, called the suitors' fund, in the Court of Chancery. It might be expected, in the numerous estates administered by that court, that some property would remain in its keeping overlooked or unclaimed. Do you see any reason why this unclaimed property should not be appropriated to Government uses, subject to any claims that may be established against it?

B. No, it being understood that every exertion is made, every precaution taken, that the unfortunate suitors shall not have their property unnecessarily detained, and that the establishment of their rights shall be speedily and cheaply, as well as justly, determined for them.

P. Do you know or can you conceive of any other occasions on which unowned or unclaimed property is open to be taken possession of in order to be applied to Government purposes?

B. No other occurs to us.

P. We have spoken of the property of persons who die leaving neither wills nor relatives. But where wills have been made or relatives are left, how is the property disposed of?

B. As ordered in the will, or to the relatives as appointed by law.

P. I take it for granted, although your answer does not quite bear me out, that the disposal by will is by the authority of law as well as the distribution where there is no will?

B. That is our meaning.

P. The laws and customs of different countries vary greatly, as regards the disposal of property vacant by death. Do you know whether people in this country are allowed by law as much liberty in disposing of the property which they may leave at death as they have of disposing of it while alive?

B. We believe they have, making allowance for their not being able to superintend the carrying out of their own wishes.

P. And how is the disposition appointed, where there is no will?

B. It is divided among the children, or where a widow survives among the widow and children. Freehold property in land forms an exception to other property, since it passes to the eldest son. We have heard that there are parts of England where the land goes to the youngest son. We may possibly be mistaken in what we have stated, and there may be other laws and customs unknown to us which conflict with our statements.

P. You are sufficiently near the truth for the purpose of our present inquiry ; and now, perhaps, you can tell me something of the steps that are taken to claim and get possession of the property of the deceased ?

B. The will must be proved, or, if there be no will, letters of administration must be obtained in the court of law appointed for the purpose ; when authority is given to the executors or administrators, as the case may be, to take possession and distribute in conformity with the will or with the law which regulates the disposal of intestate property.

P. And the parties to whom probate or administration is granted are bound to account for the property committed to their care. But is the whole of the deceased's property, without deduction, handed over to the heirs and legatees ?

B. Not altogether without deduction ; for although not very well informed as to what is precisely meant by probate and legacy, and succession duties, we do know that under these names money is taken from executors and administrators out of the estates of the deceased.

P. Would it not be more correct to represent the Government as retaining what it takes out of the estates of the deceased, before it grants permission to heirs and legatees to possess and enjoy what, without its permission, would not be theirs ?

B. We spoke of the deductions made by Government out of the estates of the deceased, whether paid by the heirs and legatees, or taken out of the estates before their respective shares are handed over to them, in the language in daily use. We have often heard heirs and legatees complain of the heavy taxes levied upon their inheritance and legacies.

P. I will just give you a few particulars, in addition to what you have told me, of the regulations under which the property left by deceased people is taken possession of by survivors. Where a will has been left, the court of probate, after having certified its validity, grant authority to the executors named in the will to realize the estate and dispose of it agreeably to the directions contained in the will. Where there is no will, letters of administration are granted to the persons considered best entitled to administer, generally to the nearest of kin, if they be willing to accept the trust, and no disqualifications be proved against them. The first payment made out of the estate is one to Government of about two per cent. on an average where there is a will, or three per cent. where there is no will : this per-centage being smallest where the estates are of very little or of very great value, and largest where the estates are of intermediate values. No other demand is made by Government on any portion of an estate which passes to the widow of the deceased, or in sums of less than 20*l.* to individual legatees. One per cent. is taken from sums that go to children or parents, or other lineal descendants or ancestors of the deceased, from two to six per cent. from sums that go to more distant relations, and ten per cent. from sums that go to strangers or to relations beyond a certain degree of consanguinity. Are you prepared to say whether you consider that this method of dealing with property left vacant by death is the best that could be contrived ?

B. You cannot expect us to be competent to answer your question. We might add that it would ill become us to venture to set up our judgments in opposition to the experienced men by whose advice, no doubt, the mode of dealing with property vacant by death, which you have described, has been settled. We may confess, nevertheless, that in the present state of our laws of succession, as you have described them, there is much that we should be unable, without some assistance, to explain the reason of. Indeed, if we have followed you correctly, it appears to us that the grounds on

which we might approve one part of these laws would force us to condemn others.

P. Although with your imperfect knowledge, you very properly draw back from forming a confident judgment of your own, and setting it up against the judgments of men of experience and wisdom, or from deciding between the conflicting judgments of others, there is no reason why you should not endeavour to collect the materials necessary for forming a sound judgment for your own future guidance. There are many subjects in addition to those already discussed by us, upon which great differences of opinion have existed, and upon which modern legislators have entirely reversed the judgments of their predecessors. If with no other object than the improvement which the exercise will bring to you, suppose you try to ascertain for yourselves what principles ought to guide a legislator in bestowing upon survivors rights over property vacant by death, and how those principles ought to be applied.

B. We have never thought of these matters, and we really don't know what to say.

P. You have already done more than you seem to be aware of to qualify yourselves for grappling with the difficulties that I am putting before you. Let us go back for a moment to the "rights of property," and to the reasons for which they are maintained. Why, in this and other civilized countries, are individuals guaranteed in the possession of the wealth and of the land which they have earned, or purchased and obtained by gift or inheritance?

B. Because it is considered for the general good that they should be so guaranteed.

P. We have perceived and recognized over and over again that conduciveness to the general good or to general well-being must be the test by which the goodness of all conduct and the fitness of all laws and institutions must be measured. But to apply this test effectually, we must break it down into subordinate or less comprehensive and more practical tests or rules equally reliable but more usable for special purposes. Let me

ask, then, how the institution of property can be said to conduce to well-being?

B. By holding out the greatest possible encouragement to industry, intelligence, skill, economy, trustworthiness, and other qualities, without which wealth could not abound; and abundance of wealth, as compared with the numbers to be maintained out of it, is indispensable to well-being.

P. I will not ask you to go over the reasons which brought you to these conclusions. We have already discussed them minutely enough, and you are, I am sure, well fortified with them. Do you think the same reasons exist for extending the rights of property so as to give a power of appointing how property shall be disposed of after death?

B. Very nearly the same, varied perhaps a little in form. We think we can point out many reasons why this privilege should be bestowed upon holders of property. Every motive save one which induces to produce and save may be said to be carried beyond the grave. A man who does not wish that his family should continue to prosper after he has been removed is a worthless character. And if the law judges rightly in making a man the uncontrolled disposer of his property during his own life, we do not see why he should not be trusted with the appointment of it after his death.

P. Is there no danger that he may wish to apply it to some fantastic, useless, or even hurtful purpose? And would you have the legislature sanction his appointing such uses for the property that he may be possessed of at death?

B. As we do not accuse the legislature of sanctioning the bad use of their property which too many make during their lives, so neither ought we to hold it answerable for the bad disposition which they make under the right conferred upon them of directing the appropriation of their property after death. While the probability of turning property to the best account may be diminished by the death of those who had earned and taken care of it, some danger of misappropriation is also removed. The dead cannot squander it nor embark it

in unwise ventures, nor spend it in vicious indulgence. And the legislature may consider that a denial to possessors of property of the right of directing its appropriation after death might make them less earnest in producing and saving.

P. The views of our law-makers may be supposed to coincide very nearly with yours. Subject to the deductions which I have mentioned, and to some restrictions of minor importance, the rights of willing property are co-extensive with the rights of property. In some countries, these rights are more limited, principally with a view of preventing the undue preference of some children to the neglect of others, or a disregard of the wants and feelings of kindred. Ill-usage of this kind, it is contended, is irreparable after death. Ill-usage of others during life may be repented of and atoned for.

B. This is a matter on which we cannot be expected to express ourselves confidently. It would we think, however, only be in harmony with conclusions already arrived at, to look for the better protection of children, and other dependents, from the consequences of mal-appropriation of property, whether before or after the death of its possessors, to better conduct, induced by better teaching and training, and to a consequently higher tone of feeling in reference to parental and other social duties.

P. Where the privilege of disposing of property by will has not been used, who in your opinion ought to be authorized to take possession of it? or, adopting the language in general use, letters of administration being granted, for whose benefit ought the property to be administered?

B. For the benefit of the surviving widow and children, or other near relatives who had been most likely beholden to the deceased for some portion of their comforts, if not for their entire maintenance.

P. The law of our land as regards intestate property, is very much in accordance with your notions, unless the property be freehold estate, which passes almost entirely to the eldest

son. If our laws for the distribution of intestate property had to be drawn up now for the first time, would you recommend this mode of appropriating freehold estate?

B. Our leanings would be all in favour of applying the same principles to regulate its distribution as ought to regulate the distribution of other property.

P. It is contended by those who uphold the right of primogeniture that it would be exceedingly hurtful to society to have the land cut up into small holdings.

B. Granting that this is not desirable, surely it would be a more humane and sensible proceeding to have the land sold, and the proceeds divided among the relatives, as would be done with property not freehold, than to leave the whole family, less one, nearly destitute.

P. If the land were sold, as you propose, might not the purchasers subdivide it? and if they did, where would be the safeguard against objectionable small holdings?

B. The same safeguard that protects society in the persons of eldest sons, who may sell their land piecemeal if so disposed. Whether holdings of land shall be large or small, and if large, whether such holdings shall be let as one farm, or one patch for building, or be subdivided into two or more, had better be left to be adjusted by proprietors. They will endeavour to use their land, as they use their other property, so as to extract from it all the enjoyment which they conceive it to be capable of yielding; and income is seldom lost sight of by those who are in search of enjoyment. An injudicious use may be made of land as of other property. But the spread of intelligence, not state interference, must be relied upon for the prevention of this evil. We see no reason for abandoning or modifying our previous conclusions that rights of property ought not to be interfered with, except where public convenience requires that particular land or property should be ceded for railways, streets, fortifications, docks, &c., care being taken to secure ample compensation, a full equivalent, to the dispossessed proprietors.

P. Could the law of primogeniture have existed as long as it has, if there were not some reason in its favour, although that reason may be unperceived by you ?

B. You are inviting, as well as helping us to form our own judgments ; and it would not do for us to forget that reasons for laws in bygone times may have ceased to exist, and that supposed reasons may be discovered not to be reasons at all, leading to the repeal of the laws which were founded upon them. Many of the laws handed down to us from our forefathers are continually under discussion. We can well understand how in times when there was comparatively little property that was not freehold, and when it required a strong arm to defend rights legally possessed, the eldest son should be declared the heir-at-law. The junior and weaker members of the family, it might be supposed, could not do better than rely upon him for their maintenance and protection. This reason for bestowing the whole of an estate upon the eldest son, to the exclusion of daughters and younger sons, leaving them bereft of the means of subsistence, has ceased to exist.

P. In confirmation of your remarks, I may observe that in the great works which have been carried out of late years in the making of railways, canals and docks, the land taken possession of has been converted from freehold or real estate, into personal estate, one consequence of which is, that it ceases to descend through its new proprietors upon their eldest sons. Turning away from the rights of primogeniture in respect of real estate, do you think the well-being of society is best consulted by conferring the rights to intestate property upon the nearest of kin, in such way as our laws provide ?

B. Yes, we are disposed to adhere to our opinion already expressed. Children rely for their welfare upon the feelings of affection and sense of duty in their parents ; and after they have been deprived of these safeguards, they ought not to have their loss aggravated by being deprived of the wealth which the intelligence and industry of their parents had amassed, partly, if not principally, for the benefit of a surviving family.

P. Does the same reason hold good for allowing remote, where there are no near, relatives to participate in intestate property?

B. There can scarcely be the same reason. In many cases it is well known, our laws admitting the claims of the most distant relatives, that great pains have been taken to trace out heirs who were quite unaware of the consanguinity which existed between them and the deceased, to whose estate they are pronounced to have established a title.

P. Is there any probability that these distant relatives, when discovered, will be the fittest persons to take care of and turn to account the intestate property of which they are constituted the heirs?

B. Not to our knowledge. Unlooked for inheritance of property, especially by persons who have not previously acquired any, is likely not only to lead to waste and misapplication of wealth, but to assist in giving scope to all those infirmities of character which lead to disgrace, vice, and misery.

P. May we conjecture that some such feelings as you have expressed led our law-makers to contrive that graduated scale of legacy duties from one per cent. up to ten per cent., abstaining altogether from touching the share of the widow?

B. We do more than conjecture. We feel almost sure.

P. Bringing to bear all the knowledge which you have acquired of the laws of this country under which property vacant by death is appropriated, and the reflections to which our inquiries have given rise, and recognizing that the will of society, as expressed in its laws, is the only source of rights to property vacant by death, as well as to property possessed by the living, you will be prepared to express an opinion upon some of the questions which, if not suggested by yourselves, will be put to you by others. Why do you think that the power of disposing of property after death, subject to a few obviously useful restrictions, and to some appropriations by Government, should be granted to possessors of property?

B. Because possessors of property are considered the fittest

persons to be trusted with its application during their lives, and the reasons which lead to that decision point them out as the fittest persons to determine how it shall be applied after their death.

P. You are not blind to the fact that many people make an ill-use or mis-application of their property, whether during their lives or by will afterwards?

B. No; and we suppose we but share in the opinion of our law-makers when we say that we know of no other cure for these evils, except in certain extreme and notorious cases, than the improved tone of society which an improved education may greatly assist in promoting.

P. Why do you approve of the way of disposing of intestate property appointed in this country?

B. We are not aware that we do approve entirely. We have already expressed our dislike of the law of primogeniture in regard to real estate. We certainly approve of the spirit in which the scheme for distributing personal estate is conceived, not but what we think that some changes might be introduced with advantage.

P. I must seek some information concerning the changes which you are thinking of. But tell me first what you approve.

B. The distribution among the near relatives—the widow and children and grandchildren. We might perhaps include a few others.

P. Your reasons in favour of what you include will throw light upon your exclusions. I should like to hear them.

B. The reasons which welgh with us have been learned by endeavouring to satisfy ourselves how the deceased, supposing him to, have been a good and enlightened man, would like his property to be disposed of. And we cannot be far wrong in wishing to see it bestowed upon those who shared it with him during his life—generally his near relatives. Society, besides, is deeply interested in cherishing the family affections on which we rely for the care and kind treatment of the young, and for

the relief and consolation of suffering, whether from accidents, ailments, or other calamities of the aged.

P. I am now curious to learn your reasons for excluding the claims of some of those whose claims are admitted under our laws—of distant relatives ?

B. We are not satisfied to assume the position of proposing, even in appearance, to exclude any claims. Society requires a large amount of wealth to enable it to organize a government and provide for the performance of all its duties. We have, therefore, to consider in what way it can obtain this wealth with the least disturbance to industrial work, the least discouragement to good qualities, and the least privation to those who would otherwise have the opportunity of consuming it. Taxation in any form is not unattended with some of those evils, although they may be more than compensated by the blessings of good government procured through taxation. Now the resumption by society of its rights to intestate property, where there are no relatives within certain limits of kinsmanship, deprives nobody of wealth which it is at all desirable that he should have formed the habit of looking forward to, instead of relying upon the resources of his own industry and economy.

P. Might he not have formed such a habit, nevertheless, and would he not feel the detention from him of his deceased relative's property to be a grievous wrong and disappointment ?

B. The law of distribution, as we are conceiving that it ought to be, would be as well known as our present law is now. And he on whom the law notoriously confers no right cannot be disappointed, however much he may regret the state of the law which does not confer a right upon him. As for the wrong of which he may complain, unless it can be shown that the law is opposed to the general well-being—that it does some wrong to society—it cannot be chargeable with inflicting an individual wrong.

P. Might it not happen that some of the deceased's more remote relatives would be greatly in need of this wealth which you are proposing to appropriate to Government purposes ?

B. It might; and many strangers also, in reality more closely connected with the deceased than his unknown relatives. But society gives to possessors of property the right of providing for all these by will. We do not say that society ought not to make some provision out of intestate property for many strangers in blood, who might be left homeless, friendless, and defenceless by the death of a friend or master. But if their claims are disregarded, surely those of distant and unknown relations may be passed over without reluctance.

P. To grant a hearing to all applicants, whether distant relatives or strangers, who could show that their means of support had been destroyed or materially endangered by the departure of a friend of whom they had been deprived by death, would introduce a very great extension of the powers and duties of our courts of law.

B. And it is not for us to say that such extension would be expedient. We must be content to admit that we see no reason for bestowing intestate property upon persons who derived no benefit from it during the lives of its owners, or for denying consideration to the necessities and feelings of others who were wholly or partly dependent upon it.

P. With our laws of succession remaining as they are, would you object to the practice of retaining for Government purposes those portions of the estates of the deceased which we have already referred to under the head of "probate and legacy and succession duties"?

B. We cannot say that we are prepared to raise any decided objections; neither would we be committed to the admission that a better scheme might not be devised. Where estates have to be distributed under wills in which large sums have been left to children, and small sums to strangers in blood for whose services and attentions the testators desire to bestow tokens of sympathy and gratitude, it seems scarcely in accordance with those feelings which we ought to cultivate in ourselves and cherish in others, to abstract a tenth from the latter and a hundredth part only from the former.

P. Testators might get over that difficulty by ordering legacy duties to be paid out of the estate. There are persons, however, who allow a much wider range to their criticisms. They recommend that the rate of deduction upon legacies and inheritance should be regulated rather by the amount of the legacy than by the relationship of the legatee. For example, they would say, take *one* per cent. where the sum or value accruing from the deceased's estate, whether intestate or otherwise, to any one individual is under 10,000*l.*, *two* per cent. under 20,000*l.*, *three* per cent. under 30,000*l.*, and so on. Does it occur to you, if any such scale of duty were introduced, either in substitution or in modification of the scale now existing, that the Government would be better supplied, and with less danger of checking the growth of those feelings and habits which we have agreed to be desirable for the general advancement of well-being?

B. We don't see the drift of the proposers of this change. What benefit it would produce is not perceptible to us, and we presume that no change ought ever to be made, except with a view to some improvement.

P. Well said. In justice to those who have put forth this suggestion, I ought not to leave you in ignorance of the reasons with which they recommend and defend it. They say that when society has done all that is needful, in dealing with property, to promote good industrial qualities and cherish family affections, especially those which lead to a religious performance of parental duties, it ought to avoid conferring further rights, the tendency of which might be to prevent the very effects at which it is supposed to be aiming. If the prospect of enjoying wealth is one of the incentives to good industrial conduct, it ought not to be a practice either with good parents or with good governments to heap masses of wealth upon those who are not first called upon to acquire the knowledge and capacity for earning, preserving, and employing it. Where the right to dispose of property by will is left unused, they say, the legislature ought to step in and declare

in what way property vacant by death is to be disposed of, so as to assist all the other efforts that are being made for fostering good qualities ; and, according to them, it is to lose sight of this purpose, to connive at the heaping up on individuals masses of property which they have done nothing to earn. Where the right to make a will has been used, society, they say, ought to indicate by its scale of succession-duty, the direction which it thinks ought to be taken by individuals in disposing of their property. Do these justifications of the changes proposed in our laws of succession and in our succession duties appear altogether irrational ?

B. We cannot say that. They rather strike us as well-deserving of consideration, and we might almost say of adoption. But adoption, if advisable, will follow consideration, and you will not ask for more than consideration from us, inexperienced and uninformed as we must be.

P. Do not the arguments of these intending reformers of our laws of succession make against the practice of levying a higher rate of duty upon intestate than upon testamentary property ?

B. They do. Moreover we are inclined to think them unanswerable as condemnatory of that practice. It is one of the duties of legislators, that is, of expounders of what is desirable for the good of society, to declare how intestate property shall be disposed of. In performing this duty, it may be assumed that they will try to ascertain what, in the larger number of cases, is likely to be most conducive to the mitigation of the suffering occasioned by death, and to cherish the growth of family affection, and of the industrial virtues. So far as they succeed in accomplishing this purpose, that is, in producing a model of the will best fitted to enable property vacant by death to fulfil the intentions of a good man, it wears the appearance of contradiction to turn round upon those who approve and adopt it and mulct them in their heirs for doing so.

P. I will now endeavour to put together the results of our inquiry into the disposition of property vacant by death :—

We recognize, and in that we agree in the spirit of the laws which prevail in our own country, that it rests with society to determine the conditions which shall constitute a right to property, and to fix the limits within which the liberty to dispose of property shall be enjoyed by its possessor.

It appears to us peculiarly appropriate, that society shall help itself out of the estates of deceased proprietors of as much as possible, so as to reduce the amount of contribution to be called for out of the earnings and savings of producers.

Before helping itself out of property vacant by death, society should be careful to pay considerable deference to the wishes expressed by its possessor previous to his decease, and where no such wishes have been expressed by him, to the circumstances of those who had previously looked to him for support; so as in dealing with his estate, not only to obtain from it some of the funds required for Government purposes, but to consult what may be supposed to have been his feelings of affection and sense of duty.

On reviewing the whole of our conversation on the subject of property vacant by death, do you not think it may truly be said that there are means available for Government purposes, so circumstanced, that in appropriating them, society may pay a portion at least of the expenses required for its protection, without taking from anybody?

B. We think it may; and we also think that, it being understood that the more important duty of attending to the wants and reasonable expectations of survivors has been adequately provided for, property vacant by death ought to be the fund first resorted to, before making any application to the living through the medium of taxation.

PHILO-SOCRATES.

AMONG THE BOYS.

ON EXPENDITURE.

P. OUR conversations have hitherto turned principally upon matters relating to the production, preservation and distribution of wealth. You have satisfied yourselves that the possession of wealth is just as indispensable to enable all the industrial virtues to flourish, as the general prevalence of the industrial virtues is indispensable to abundance of wealth. But while you are sensible how vain it would be to look for well-being in any community where wealth did not abound, and where the industrial virtues did not flourish, you are not the less sensible that men, greatly occupied, as they necessarily must be, with the production and preservation of wealth, will nevertheless, even while at work, carry their thoughts onward to something beyond. Let us now endeavour to learn what those thoughts are likely to be, and also what the thoughts are which men ought to be conscious of being under the influence of, in con-

junction with the thoughts which cannot fail to occupy them, while employed at their industrial work. Wealth being recognized as a means to an end, what will you represent that end to be?

B. To sustain life. Without some wealth existence would be impossible. Without an abundance of it, comfortable existence is no less impossible.

P. May we, at all events, start with this thought in regard to wealth, that one of its purposes, if not its sole purpose or end, is to make comfortable existence possible?

B. We don't think we can be led into any error by making that admission.

P. Would you be led into error by admitting besides, that if abundance of wealth were at the command of everybody, the comfortable existence of all would be the consequence?

B. We should fear to make such an admission without considerable qualification. We readily admit that the qualities which must prevail among a people to render abundance of wealth possible, would go far, in conjunction with the wealth, towards securing comfortable existence for all. Contentment and cheerfulness of disposition must be companions of wealth, if comfortable existence is to be extracted from it. They can scarcely be felt continuously without abundance of wealth; but they may be unfelt in the midst of abundance.

P. Sensible parents, judging by the pains which they generally take, do not expect that cheerfulness of disposition would come of itself to their children. It is a state of mind to be cultivated. Supposing it, then, to be cultivated successfully, is anything else required to make us feel quite sure that abundance of wealth will be accompanied by well-being?

B. We must bear in mind that knowledge is as much required in applying and consuming, as in producing and saving wealth. There may be misdirection of effort in both. Illness and accidents, besides, are to be expected, the sufferings from which may be relieved in part, but can not be wholly prevented by wealth.

P. Let us pass over for the present such impediments to comfortable existence as unavoidable accidents and illness. We can return to them by-and-by. Independently of these, you would, if I am not mistaken, require to know something more about individuals than that they were in possession of wealth, before you could feel confident that they would be in the enjoyment of a comfortable existence.

B. We should require to be informed concerning their ability to turn their wealth to good account.

P. And how could you judge of their ability?

B. By learning something of their intelligence and disposition, by ascertaining the nature and extent of their knowledge; and then, supposing them to be possessed of the adequate knowledge, by ascertaining whether their habits and inclinations prompted them to act in conformity with what their knowledge recommended.

P. If the state of society were such that all adults were possessed of abundance of wealth, and of the knowledge and habits requisite for making wealth minister to their well-being, the advice and exhortations needful for the young as they successively left our schools might be comprised in a very small compass.

B. Having given them the instruction needful for their guidance, and laid the foundation of good habits and dispositions, they would require little beyond the blessing of their parents and teachers with exhortations to follow the example of the companions whom they would find ready to welcome them.

P. Would your parents and teachers be doing their duty by you if they sent you forth into the world, with no advice and exhortations beyond this?

B. Not only would that be insufficient, it would be misleading. For, as the world now is, many as there are whom it might be well for us to imitate, there are some whose company we ought to shun, and from whose example we ought to take warning.

P. Are you prepared to point out in what respects such

advice and exhortations would be insufficient? In a world which has undergone and is apparently undergoing so many changes of opinion, may it not be possible that some kinds of conduct now held up to our admiration ought rather to be considered as examples to be shunned?

B. We are not prepared to do that. But we can see that in advice so limited there is little thought of, beyond urging us to take care of ourselves. There might be no omission in this, if we were destined to enter into an imaginary state of society in which destitution, vice and crime had no place. In the real society, however, which is prepared for our reception, desirable as it is that we should be able to take care of ourselves, our success even in accomplishing that would be much diminished if we did not combine with our efforts for that purpose some care for the happiness of others.

P. Are you speculating upon the possibility of your being summoned to provide for the comfortable existence of others as well as for your own; understanding that, in your own, I am including family as well as self?

B. As it appears to us, there is no avoiding the admission that, in the present state of society, it is incumbent upon some of its members to have far wider thoughts than those which directly regard care of self. Self, in fact, would be ill cared for, were it not partly, at least, cared for through care of others.

P. I should like to hear you expand that sentiment.

B. These are our thoughts: We are destined to take our places in a world where we shall find, among the good and enlightened, a few bad and ignorant, and a larger number, not positively ill-disposed, but so far deficient in intelligence and strength of character as to make it uncertain how they will conduct themselves under temptation. If, therefore, we were actuated by no other feeling than that of self-protection and self-enjoyment, it would be for our good that one of the sources whence we expected enjoyment should be efforts, in conjunction with others, to resist the attacks of the violent and

fraudulent, and to predispose as many as we could influence to refrain from acts calculated to disturb the general well-being.

P. Will the possession of wealth be as indispensable to enable you, whether individually or in conjunction with others, to participate in the work of restraining the bad, and of promoting a general prevalence of good conduct, as it is to enable you to keep yourselves in comfort ?

B. It will be quite as indispensable.

P. Could you make that appear clear and undeniable, even to one disposed to be incredulous ?

B. A man must be more than incredulous, he must be impervious to evidence, and indifferent to truth, not to perceive and admit that, in order to feed the hungry, to clothe the naked, to shelter the houseless, to teach and train children, to reform the criminally disposed, and to maintain a government for protection against violence and fraud, wealth must be at our disposal.

P. That being settled beyond dispute, we have next to consider how wealth, existing, we will suppose, in abundance, ought to be applied so as to contribute as much as possible to the general well-being.

B. That subject is much too wide and complex for us to enter upon without your assistance.

P. Let us begin from the beginning, and advance with all caution. However variously, in some respects, wealth may be applied, will there not, in one respect at least, be uniformity in its destination ?

B. It is all destined to be consumed.

P. You have guessed what I was thinking of. As, however, consumption is equally a first step in the application of wealth for production, as in its application for enjoyment, we will take note that our inquiry is now limited to the latter purpose of consumption. Consumption for the purpose of production has already had enough of our attention. When people intend to consume, how do they ordinarily obtain possession of the articles which they desire for the purpose ?

B. They buy them.

P. To make use of another term, they spend money; whence we obtain the word "expenditure." In common parlance, we are more apt to talk of people's expenditure than of their consumption, although we really mean the latter. But is not to buy or to spend an antecedent of other applications of wealth besides that for consumption or enjoyment?

B. Among civilized nations, it is also an antecedent of all applications of capital. The circle of production may be said to be to buy labour, to buy material and machinery, and then to sell the commodities produced.

P. Dwelling for a moment on this first step—to buy or to spend—have you ever heard it discussed whether good can be done or benefit be conferred by that operation?

B. Yes; and we have often heard great praise bestowed upon those who, by spending freely, cause money to circulate, and through its influence bring prosperity home to the numerous individuals who become its recipients.

P. And have you any doubts about the prosperity which is brought home to every individual, in the way of trade or otherwise, who becomes a recipient of other people's money?

B. You put the question in a form which makes it puzzling to answer. It is undeniable that every individual who sells either services or merchandize gains thereby: for otherwise he would not sell. But as parting with money is the only means available for obtaining the services and commodities desired for comfortable existence, we cannot see the propriety of representing the act which the buyer is compelled to perform as a good done to sellers in general. If he be reputed the benefactor of those to whom he gives the preference in his dealings, must he not be considered as withholding benefits from those with whom he declines to deal? We must also bear in mind that the seller who becomes possessed of the buyer's money benefits no more than the buyer who becomes possessed of the seller's commodities. Neither parts with his own in exchange for what belonged to the other except as a means of improving his

position. Buying and selling are inevitable consequences of adopting the use of money, as exchange is a consequence of adopting division of labour. When we have recognized the increased productiveness and convenience derivable from these two grand expedients, we think we have recognized all that is due to them. We cannot talk of these benefits and of the benefits conferred by buyers besides. We should be talking of the part of a thing as if it had not already been comprised and accounted for in the whole.

P. You contend that if the buyer is to be considered as conferring a benefit upon those with whom he deals, he must, in order to balance the account, be considered as withholding a benefit from those with whom he does not deal: otherwise the benefit derivable from division of labour would be counted twice over.

B. Exactly. All men in their capacity of producers may be presumed to be alive to the necessity of producing what others want, and in proportion to their success they attract customers. In their capacity of consumers, they are on the look-out to buy what will best minister to their varying wants. It would be a strange misrepresentation to picture people thus engaged as conferring and withholding benefits according as they flitted from town to country, from the pastrycook to the druggist, or from the actor to the dentist, in the pursuit of health, enjoyment and relief.

P. Can you explain how the notion has arisen that the buyer who parts with his money should be held to be a greater benefactor of society than the seller who parts with his services or wares?

B. It may have arisen from the same illusion which made people measure the advantages of foreign commerce by the quantity of gold and silver which it brought into the country. In the retail trade custom has allotted the principal part of the work of bringing buyers and sellers together to the sellers. Had it been otherwise—if the buyers had been active and the sellers passive, so that the gratification of having one's exertions

crowned with success would be felt by the buyer—the benefit of obtaining the money's worth might have been more highly prized than that of obtaining money.

P. Before you decide that the spender has no special claim to our gratitude, ought you not to make some comparison between him and the man who locks up his money? The praise bestowed upon those who spend money comes mostly, it is true, from traders and others who receive money, but is not meant so much to mark the preference given to buyers in comparison with sellers, as to buyers in comparison with hoarders.

B. Men who lock up their money are rapidly disappearing from among us. Money locked up is for the time being as if it did not exist. Its owners might do worse: they might destroy it. But they might do the same with any other of their possessions. They might, with their money, buy corn and leave it to spoil, or buy houses and leave them tenantless. They would not be interfered with for committing any of these acts of folly, unless such acts were considered proofs of incapacity sufficient for putting them under restraint as unfit to take care of themselves or their property. Money unspent now-a-days means money employed in production, directly or indirectly, the first step in which, however, is to buy services and commodities.

P. Are we to conclude, then, that no good is done by expenditure? Would not the assertion that people do no good by spending sound strange to many ears?

B. And well it might, if they comprehended in the term "spending" all its consequences. We have been limiting ourselves thus far, to the simple exchange of money for commodities or services. We would be careful, accordingly, to ascertain that the word "spend" conveyed to those whom we addressed the very meaning with which we uttered it. We should be trifling with our own understandings as well as with theirs, were we to pretend that the man who sheltered and educated neglected children, or subscribed to the maintenance

of the widows and orphans of a host of men suddenly destroyed in some awful calamity, did no good by his expenditure.

P. If we have not yet learned where to look for the means of judging of the character of expenditure, we have found that it is needless to linger over the mere process of buying. We must look beyond : and what is the prospect that opens to our view? Your last answer implies that a man may do good with his money, and also that he may not. How are we to judge?

B. We cannot think of any better way to arrive at a sound judgment than that of searching for and finding out the certain consequences, or, if they are not to be found, of estimating the probable consequences, of expenditure. These may be good or bad, with the several gradations marked by the different degrees of comparison. Many consequences of expenditure may, besides, be pronounced to be indifferent.

P. Will you give me some notion of the kind of evidence which might induce you to place an individual's expenditure in any of these classes or gradations of classes? You will observe, by the form of my question, that I am inviting you to look for the reasons which ought to lead you towards a judgment of conduct, rather than asking you for a definite judgment.

B. If we knew of any man, that he was, by his expenditure, setting or keeping in motion many institutions such as hospitals, asylums, baths and washhouses, and schools, without which much misery would be inadequately relieved, and much more be unprevented, we should say, understanding of course that no reasonable claims of family, kindred and neighbourhood were neglected, that his expenditure was superlatively good. Upon a man whose expenditure was limited to the maintenance of his family and self, we should, perhaps with some slight leaning to one side or the other, bestow neither praise nor blame. While to the man whose expenditure brought disgrace upon himself and contamination to his associates, increasing and aggravating, instead of diminishing misery, we should

apply some epithet indicating that we judged his expenditure to be superlatively bad.

P. Should you be curious to learn anything of the income or earnings of two men whose expenditure was concentrated entirely upon their respective families, before you attempted to form your judgment definitively ?

B. We ought to be. It is not easy for us with our limited experience and want of practice in expressing ourselves to take in all the circumstances which ought to weigh with us, or to be sufficiently precise in our language. Your question suggests at once that it would be the height of absurdity as well as injustice to class together two men who were equally absent from the work of contributing to the prevention of vice and to the relief of misery, one of whom had barely wherewithal to maintain his family in comfort and the other was in receipt of an enormous income.

P. What would your expectations be in regard to the expenditure of the head of a family who was bringing up his children on very limited means most kindly and judiciously, if his means were to be greatly increased ?

B. We should expect that the same goodness and wisdom which made him do so well for his family would lead him to devote some of his increased means to works of more extended benevolence. By so doing, besides performing a great duty, he would, perhaps, be applying his new means as judiciously as his former more restricted means for the improvement and elevation of his children.

P. Yes. The dispositions of a rising family of young children will be more influenced by the daily conduct, demeanour and conversation of the adults around them, and of their parents in particular, than by any amount of vigour in inculcating doctrines and precepts. It will be strange if the style of the expenditure be not reflected both in the demeanour and the conversation. Sad will it be if the style of expenditure be quite irreconcilable with the doctrines and precepts inculcated. But if mankind could be raised so

far that all heads of family had the means and the inclination to do their duty by their children, would there be any necessity for an inquiry which implies that we should like to see one direction rather than another given to the expenditure of the larger incomes ?

B. Probably the state of society sure to follow from such abundance of wealth, accompanied by a prevalence of such sentiments, would make further inquiries about expenditure superfluous. The limited quantity of all that description of misery which cannot be prevented by the judicious expenditure of sufficient means, and by your supposition there could be no other, would be quite within the compass of the expenditure sure to be lavished upon its relief. The time, however, is far distant, even if it ever arrive, when our inquiries into the comparative merits of different modes of expenditure will be rendered useless by the near approach, not to say the advent, of so happy a state of existence.

P. We have now made sufficient progress to be enabled henceforward to narrow our inquiry so as to exclude all expenditure required for family comfort. It is obvious that we are not in a position to mark out very precisely the limits which ought to be imposed upon expenditure for family purposes. We may allow that they will vary greatly with social position—with time and circumstance. But a very cursory glance at our charitable institutions, at the money expended in benevolence—that which is hidden probably greatly exceeding that which is made public—and at the occasional displays of profusion for no other explicable purpose than display, will suffice to convince us that there is to be seen an immense amount of expenditure beyond what is necessary for the supply of reasonable domestic demands in the wealthier grades of society. Bearing in mind, then, what we have already recognized, that up to the present time the store of wealth in the world has ever been insufficient for the adequate supply of the wants of all, one cannot but be tempted to ask whether the surplus wealth of individuals (by which I mean the wealth over

and above that which their own practice exhibits to be beyond what they consider ought to be absorbed in domestic expenditure) could be better applied than as capital; that is, than as a means of producing more of the very wealth which is deficient?

B. The benefit conferred upon society by any well-administered industrial concern, independently of the profit earned and wealth produced, is so great that they who, in expending their surplus wealth, could vie with their industrial brethren in good achieved, might well be proud. But it appears to us, however successful producers and spenders may be, each in their own line, that the services of neither will enable the services of the other to be dispensed with.

P. Might it not be inferred from our previous conversations that successful administrators of capital contribute largely to the encouragement of all the industrial virtues? What more, do you think, spenders are capable of doing?

B. Might you not ask, with equal propriety, what more parents are capable of doing? Our answer to both questions is that they are capable of gifting the young with the industrial virtues; of course, only in an elementary state, to be confirmed, exercised, and matured by service under the administrators of capital who pay them wages. It is a function of wealth, while used as capital, to encourage, not to originate, the industrial virtues. It is a function of wealth, used in expenditure, to originate them. Granting, accordingly, that society is suffering from want of wealth, it does not follow that further additions to capital would of themselves supply what is wanting. They must be aided by a wider prevalence of the industrial virtues. Given a society grievously afflicted with destitution, vice and misery, we would look for and rely upon an increase of wealth as a consequence of better directed efforts to originate the industrial virtues, rather than as a consequence of efforts exclusively directed to the diversion of more wealth from expenditure to capital.

. You have brought us now to a point of intense interest,

...

or, I might say, of agonizing interest to all right-minded people. The destitution and suffering in the world are undeniable. More wealth is needful for preventing the like in the future. But to obtain this increase of wealth you would not so much persuade spenders to save more—that is, to convert their superfluous wealth into capital—as to divert their expenditure to the cultivating the germs of those industrial virtues in children now neglected, which will secure employment and wages for them from capitalists, whose vocation it is to ripen those virtues, while they obtain profit out of them.

B. We can find nothing to retract, and we readily adopt your exposition of our views.

P. For convenience of reference, we may as well take advantage of a name in common use to designate those who are possessed of wealth in excess of what they need for the maintenance and comfort of their families, although we shall be somewhat widening its ordinary signification. Suppose we speak of them as rich men, and try to settle which way of spending their superfluous riches ought most to command our approbation and respect. You cannot fail to have made some reflections upon the different ways in which rich men, of whom you hear and read, spend their superfluous riches. Will you give me the benefit of some of them?

B. There are rich men who bestow much of their wealth, and of their time and thoughts besides, on some of the many expedients, arrangements and institutions specially devised for the prevention and relief of suffering. To shut them out from this application of their time and money, while the call for it exists, would be to deprive them of the larger part of their happiness. They are habitually extra-regarding. There are others who seem capable of enjoying themselves, as indifferent to the misery of their fellow-creatures, as if there were no misery in the world. Their efforts at indulgence are as nearly as possible concentrated on self. They are habitually, not extra-but self-regarding. We cannot, of course, extend to the latter, the respect and admiration which we feel for the former.

P. Before you withhold your respect from rich men of the self-indulging stamp, ought you not to consider what measure of commendation they may deserve, compared with other men who actually do harm by their expenditure?

B. Surely we may withhold our respect from those rich men who are regardless of others' want and suffering, perhaps even feel something akin to contempt for them, while our feelings may be those of loathing, disgust and hatred for people who are guilty of the enormity of inflicting misery; and these feelings will throw out in bolder relief the feelings of respect and attachment with which the good would inspire us.

P. How would you feel towards that joyous class "on pleasure bent," who, though heedless of others' want, would shrink from inflicting wrong, if they lived in a state of society in which all were sufficiently intelligent and well-conducted to be above want? Might not these joyous people be so attractive by their liveliness, wit and kindness of manner, as to make you desirous of being admitted to their society, and allowed to share in their pleasures? Could you feel contempt for them in such circumstances?

B. Certainly not.

P. Does it not appear that your judgment of character is partly determined by circumstances external to the individual: for we now seem to have before us individuals in the pursuit of similar self-enjoyment, may be the same individuals, despised by you at one time, approved and courted at another?

B. We hope you did not expect us to fall into a trap that you had taken so little pains to conceal. Individuals may appear to be seeking similar enjoyments, without being similarly neglectful of duty. It would be foolish in a person to deny himself an enjoyment not incompatible with the performance of duty, while it would be sinful to disregard a duty for the sake of some merely personal enjoyment. You would not blame a person because he would not plunge into water nor rush into the flames when there was no fellow creature to be rescued, although you might brand him as a coward if he

would not risk his life in the performance of a duty that came in his way. In like manner, we would not despise the rich man for spending sumptuously upon himself, but only for doing so when his superfluous means might be used to rescue others from perdition.

P. One of the great uses of riches—of the pomp and circumstance with which they surround their possessors—has been stated to be the desire, which the contemplation of them calls forth in others, to work, to learn, to save, to incur risk, and face danger and fatigue, in order to possess riches in their turn. It has then been asked, would not this motive to acquire riches—that is, to increase a store of wealth ever too small—be destroyed, if no other doctrine were preached than that great riches were great responsibilities, and that they ought only to be used for the benefit of others?

B. The propounders of this doctrine and of the question with which they follow it up, tacitly assume that the acquisition of riches, not the attainment of well-being, is the object of human exertion. We are not now seeking to learn how wealth is to be acquired—upon that we are agreed—but how it is to be expended. And if we can come to an understanding how it had best be expended, we ought not to be deterred from expressing our conviction, because the desire to spend in the best manner might lessen the desire to produce.

P. I think you will agree with me that if it be desirable to avoid doing anything to obstruct the increase of that wealth which has hitherto been insufficient, it is not altogether irrelevant to consider whether a suppression of some of the desires to spend may not operate also as a suppression of the desires and of the efforts to earn.

B. That we cannot hesitate to admit.

P. May not our inquiry, then, take this direction? You contend that expenditure ought to be conducted with a view to accomplish, through its means, as much good as possible for society. You are met with the objection, that to restrict the desire of spending within these limits would restrict the desire

to earn, and hence diminish the means of spending and of doing good. Is this objection valid, or only partially so, and to what extent?

B. We don't know what you will think of our demurring to the form in which the objection is made. We are inquiring into the various ways of spending. We endeavour, by the application of the test which has hitherto answered so well, to determine which is the best way. Why, having succeeded so far in an inquiry, we should be deterred from persevering, lest we should limit the desires to spend, is incomprehensible to us; seeing that we are only taking the first step towards altering people's notions as to what methods of spending ought to be reconcilable with a sense of duty, or are compatible with tastes and habits which ought to be cultivated. If we were to convince some of those who attended to us, that certain ways of spending, to which they had been addicted, were objectionable, and that certain other ways, which they had neglected, were desirable, we might be represented as wishing to substitute the desire to spend in one way for another; we could not fairly be represented as wishing to suppress the desire of spending.

P. Have you any difficulty in admitting that, if you came in contact with a set of successful men of business, whose tastes for expenditure ran upon steeple-chasing, hunting, horse-racing, carousing, &c., tastes which may serve as outlets for considerable quantities of wealth, and you were to convince them that such expenditure ought to be discontinued, they might be led to slacken their efforts to earn?

B. In the way you put it, such would possibly be the result of our persuasive efforts. But it is not very likely that we should succeed to this extent without succeeding still further—that is, in prevailing upon them to substitute, in the place of the expenditure which they abandoned, a desire to spend for some more beneficent, more noble, more abiding object; and such a desire, if called forth, would we think be more likely to quicken than to deaden industrial effort.

P. If we are not to deny that there are good and bad methods of expenditure, as well as good and bad methods of attempting to acquire wealth, I do not see how your statements and reasonings can be controverted. But you are conscious, no doubt, even if you should meet with many rich men ready to concur in your views, that very few are to be seen acting in accordance with them. If, however, you have given a faithful representation of what may be called the line of duty in expenditure, ought we not to use every effort to persuade others to adopt it as well as to follow it ourselves?

B. That, we conceive, is what thoroughly good, intelligent and noble-minded men do.

P. What would you think of such men, if they tried to cross the paths of the rich, whether bent on pleasure, business or devotion, in order to reason and persuade them out of their present ways of spending?

B. We should admire their goodness and zeal, but be rather doubtful of their intelligence and tact; because very little experience and reflection ought to suffice to make them aware that prevailing ways of thinking and acting are not abandoned of a sudden. By such proceedings they might disturb society, arouse angry feelings, and create discord, but would accomplish no conversions. The spread of intelligence and the influence of example may lead the rich, little by little, to relinquish profusion of luxury in the midst of destitution, as they have led to the discontinuance of cock-fighting, bull-baiting, and duelling, and many other gross and iniquitous enjoyments.

P. What are the chief impediments which prevent the rich in general from adopting a mode of expenditure that would enable you to bestow upon them your highest meed of approbation and respect, the like whereof a future race of rich men may possibly be entitled to?

B. We hardly know how to answer that question. We suppose that now, as heretofore, prevailing habits and customs which are not based upon the intelligence within our reach, imperfect as that may be, nor justified by our own notions of

morality and religion as we profess them, will only make way for better by degrees, as one generation succeeds another. Even in those cases where the understandings of men are impressionable enough to be reached by appeals which disturb existing modes of thought, conduct founded upon those thoughts will frequently remain unaltered.

P. You do not include among the impediments to an improved tone in regard to expenditure any want of susceptibility and consideration in the rich for the destitution and misery of the poor?

B. Nothing but the clearest evidence would justify our making such a charge against the rich, or forming even the suspicion of such a want of susceptibility. Happily, evidence to the contrary meets the eye on every side. The misdirection of expenditure by the rich seems to us to be more owing to misconception than to disregard of duty.

P. Many of the conclusions which we have adopted are evidently at variance with those which may be supposed to be generally received, judging by the conduct of rich men as we see them. Is it not possible that the changes based upon our conclusions may be turned away from as impracticable by persons who would admit them to be desirable; that they may be treated like some of those grand sounding aphorisms which are pronounced and glorified by everybody, and acted upon by nobody?

B. Every new suggestion, new doctrine, or new contrivance that disturbs prevailing habits and feelings is liable to this kind of reception in practice, even by those who admit their inability to point out any flaw in what is submitted for their judgment and adoption. The only way to combat difficulties of this kind, which always have, more or less, retarded the acceptance of new truths and the adoption of practical improvements, is to exhibit before the world the new truths in action.

P. Your instructors, if I am not mistaken, are endeavouring to give you an education conformable to the very notions that

we have been concurring in together. The advantage of the education which you are receiving, superior as it is in our opinion to that which most children are receiving, will only be perceptible to a certain order of minds when they shall have had an opportunity of observing your conduct in after life. But as it would be a pity to defer anybody's conversion from error, the consequences of which must act injuriously upon his children, as well as upon himself, I should like to obtain your assistance in preparing a statement or representation, if not of what you will be as men, of what you are hoping, intending and striving to become. In the first place, tell me whether, in following up the line of thought and action which your own intelligence and self-discipline are recommending to you, it is your expectation that you will all become self-supporting men, out of the reach of all danger from destitution?

B. Our expectations are not quite so unreasonable. We are too well aware of the casualties to which all are exposed. We cannot all expect to escape accidents and illness, and other misfortunes, which may deprive us of the ability to support ourselves.

P. What, then, are your expectations?

B. That most of us will be self-supporting men. Some among us will, perhaps, become rich men.

P. If all boys of your age were receiving an education similar to yours, or even a better one, if that be possible, would you expect that, while a few might be incapable of self-support, most would not only be capable, but would actually achieve self-support by acting up to the dictates of their intelligence, and that many would become rich men?

B. That is exactly what we expect.

P. Have you any means of judging which among you will be stricken with incapacity for self-support, or which will be the possessors of superabundant wealth?

B. No. We might, perhaps, guess which of our school-fellows, supposing them to escape severe accident and illness, would be more likely than others to be successful in earning wealth.

P. Could any plan be devised by which the sad lot of the unknown future-to-be-stricken ones among you may be solaced and rendered as little unbearable as possible?

B. The only plan that we can think of is a unanimous determination, a common agreement among ourselves, that the stricken ones, whoever they may be, shall be relieved and comforted out of the wealth of the others, particularly of the richer.

P. Accepting this as the best, if not the only plan, for relieving the unfortunate, what ought you to be thinking of and doing, not only as future producers, but as future spenders?

B. We ought to be resolving and fortifying ourselves to act up to our resolutions, so that no effort shall be wanting on our part to make our expenditure a solace to the unfortunate, as well as a means of self-enjoyment.

P. Have you no fear that this limitation of your expenditure, this self-negation, will check those efforts at producing wealth which are so needful for the general well-being?

B. We do not see why a change in the dominant thought, in the ultimate object or aim of boys' and men's ambition, which of course means the substitution of one purpose for another, should be thus repeatedly represented as a self-denying ordinance, as a drying up of a wish for the means of expenditure, and hence of the motives to industrial exertion. It might, we think, be more correctly represented as a higher order of self-seeking, as a more enduring, as well as a more elevating, direction given to the thoughts of all engaged in production. The offspring of such a change of purpose ought to be, it appears to us, a nearer approach to excellence in industrial qualities, and to the exercise of them in their fullest activity; the production, in short, not of less but of more wealth, progressively with greater clearness of perception of the purposes to which expenditure ought to be directed.

P. I would not have you imagine, because I produce and reproduce in every variety of form the objections which are generally urged against your views, and which objections by

many are considered to be unanswerable, that I am therefore at issue with you. I should ill discharge my duty, however, if I omitted to impress upon you that, at the present time, the richer members of society and the teachers of the children of the rich are set against your doctrines with nearly as much unanimity as you seem to be set in their favour. The public and those whose special duty it is supposed to be to watch over the public morals, are disposed, rather than otherwise, to turn away from suggestions or proposals, the object of which is to introduce a change either in the morals or the practice of expenditure. You ought not to be permitted to go forth to occupy your posts in society, with opinions at variance with those generally received, unless prepared to justify them, and also to perceive how it is that what appears so plain to you should be hidden from others.

B. If we are not mistaken, the differences to be reconciled are not so great as they appear at first sight. Nobody would dispute that it is desirable that wealth should be so expended as to promote the general well-being—to diminish to the utmost want and suffering. Differences arise only when suggestions are offered for directing expenditure so as to accomplish this purpose. We contend that when once it has been ascertained how expenditure can be made most conducive to the general well-being, it is the province, as it is within the compass, of education to teach and train the young,—to shape their thoughts and form their dispositions, so as to make them take delight in giving this direction to their expenditure. It is not contended by those who differ from us that education has no power, that it cannot lead the young to put forth their strength and occupy their minds—to take delight in accomplishing many arduous tasks, in foregoing many indulgences, for the sake of other indulgences more highly prized; but they contend that among these latter indulgences is not to be placed the contemplation of others' happiness to which we have contributed, or the reflection, while mourning over misery still unprevented, that we have done our utmost to reduce its

extent to what it is, and to mitigate that which has not been prevented.

P. I need not tell you that a state of society in which all boys should be receiving an education at least as good as your own, if not, as some contend, the vision of a dreamer, is a future state to be looked forward to, perhaps at a distance. Not only are there hosts of children whose education is of so inferior a character as scarcely to deserve the name, but there are not a few to whom even the semblance of education is denied. Knowing so well as we do what must be the consequence of this remissness in educating the young, how ought we to characterize the expenditure of the richer members of society who endure it?

B. As bad as any expenditure can be which is not chargeable with working positive wickedness, since it omits to do that which is indispensable for the prevention of misery, vice and crime.

P. Are there any terms of censure too harsh to be applied to the rich men themselves who, if they avoid spending for the encouragement of "misery, vice and crime," omit to spend, as they might, for their prevention?

B. Our old difficulty rises up here. While we denounce the crime, pity is mixed with our condemnation of the criminal in the dock. We cannot be blind to the circumstances, many of them beyond his control, which must have led inevitably, if not to that very crime, to conduct unendurable by society. In like manner with the rich men who sin so grievously in neglecting to do those things which they ought to do, we cannot make less allowance for them than we do for criminals.

P. A progressively improving conception of the essentials of morality and a keener sense of moral duty, while they lead us to condemn conduct previously thought harmless or even commendable, also incline us to be lenient in our censures of men who were brought up in a less advanced school and kept in countenance by the reputedly good men under whom their characters were formed. But what misleading influences, what

misdirection of teaching and training, would it be possible to plead in extenuation of their conduct, if the future rich men among you should be seen persevering in the course of expenditure pursued by the rich men of these days, in the midst of similar scenes of destitution, vice and crime, and of neglected children sure to ripen into indifferent, if not into thoroughly bad, men?

B. We cannot think of any; although, doubtless, there will have been some flaw in the method of conducting our education, or some unconquerable perversity in the nature of some of us, to lead to so deplorable and unexpected a result.

P. I may gather from this answer that you do not feel quite confident that the future rich men among you will pursue a course of expenditure less open to censure than that hitherto pursued by rich men.

B. We should not be justified in feeling confident; but we may reasonably hope that the future rich men among us will use their riches so as to show that their improved education was not bestowed upon them in vain.

P. When acts damaging to society, but not pronounced to be criminal, are committed, or when acts essential to social well-being are left unperformed, although there is no hesitation in condemning the sins, whether they be of commission or omission, we find it difficult not to mingle pity with our censure of the sinners. Overwhelmed as we may be with grief and horror at the consequences of acts ill-performed or unperformed, we involuntarily shrink from visiting the authors of these frightful consequences with the severity of condemnation which we pass upon those guilty of the most heinous crimes. How is it that the man whose negligence or drunkenness leads to the loss of a ship, or the burning of a house, escapes the indignant reproaches which are heaped upon the pirate and the incendiary?

B. It is impossible to avoid drawing a distinction between the man who does mischief unintentionally and him who intends as well as does it. Nevertheless, there has been

shown of late a strong indisposition to admit the plea of drunkenness as an excuse for crime : it being remarked, and with reason, that when drunkenness leads a man to do a bad act, from which he would shrink when sober, drunkenness is but the first part of the bad act itself, and thus, in common with other bad acts, deserves to be censured and repressed. Where a man's negligence causes damage to others, he is frequently made responsible for it. Every day brings to our notice examples of the loss and suffering sustained by individuals through their own negligence.

P. At which period of a man's life would you feel most inclined to reproach him for his misdeeds ?

B. At the periods of youth and early manhood : for then reproaches might be of use, might lead him to mend his ways, and thus avoid the sufferings of later years, when pity puts to silence all censure of the conduct which led to them, except for the purpose of warning the young.

P. If our censure, in common with other preventives of bad conduct, ought to be directed much in the same way as the hose of a fire-engine, so as to prevent or lessen or put an end to the suffering which bad conduct is likely to produce, should it not be directed against those who cause the teaching and training of children to be neglected, and thus leave the ill-conduct of youth and manhood to lead on to suffering no longer preventible in old age ?

B. We have already answered that question in the affirmative. But, again, the old difficulty meets us. They whose neglect leaves children untaught and untrained, may themselves have been unawakened to a sense of the wrong which they are permitting.

P. You present to me a succession of difficulties, the beginning of which is not very plain. Nevertheless, we must get at it, if our difficulties are ever to come to an end. There comes a time in a people's progress when we seem to be discovering the fountain-heads whence flow the streams of good and evil ; and, as we approach them, the capacity to dry

up the sources of evil, and to swell and guide the currents of good, grows upon us. Do I appear to you to exaggerate or misrepresent the conclusions at which we have arrived, when I say that care in educating children, and neglect of education, are respectively the sources of nearly the whole of those portions of good and evil which are under human control?

B. Not in the least. You do but give a faithful representation of the source whence all the good under human control must flow, and whence the capacity to enjoy all good, and not to turn it to evil, must be drawn.

P. When I have the gratification of seeing a number of boys like you about to commence your career in life under apparently such happy influences, should I be justified in auguring well of your future conduct, if I were altogether uninformed of the state of your minds in regard to the duties that await you?

B. You would not; for the attainments of which we have become possessed through the assistance of our parents and teachers would avail but little if they were not supported by our own inward resolves, our attention to their instructions and exhortations, and our steady efforts to act up to them.

P. If I were to learn, if your school-fellows were to learn, if your parents and teachers were to learn, if the good and enlightened in the world were to learn, that there were some among you conscious that you were not doing your utmost to form the habits, acquire the knowledge, and make the exertion, first, to become self-supporting; and, secondly, so to conduct your expenditure as to make the prevention and relief of human misery take precedence of all luxurious enjoyments: what ought to be our judgment upon them?

B. The severest condemnation. Pleas in extenuation for the ill-conduct of those who have been neglected in infancy and childhood would not be admissible here. Under happier influences, it may be hoped that profuse expenditure in the midst of destitution and child-neglect will pass into the rank of crimes and vices, with heretic and witch burning, slave catching and holding, privateering and duelling; and be only

known to future generations as gathered from the historical records of bygone superstitions and barbarisms.

P. There are symptoms of the approaching transition which you are hoping for. Already profuse expenditure, regardless of the claims of infancy and childhood, although still tolerated, has ceased to draw down commendations upon the perpetrator of it, as though he were an instrument for diffusing wealth and prosperity throughout the land.

ON COMBINED ACTION,

P. WE have, in our previous conversations, more than once adverted to the limits beyond which you cannot expect to arrive during your school-days, however indefatigable you may be in your attempts to acquire knowledge and experience. The principal advantage of the instruction and discipline which you enjoy here is the capacity and aptitude that you are acquiring to learn hereafter what you could not learn here, and to reduce readily to practice every particle of knowledge in your possession as the appropriate call and opportunity for its exercise arise. But the quantity and varied nature of the knowledge obtainable even during school-days well spent are, as you can already tell, considerable enough to well repay all the efforts bestowed upon its acquisition. And it is possible that I may be able to put you in the way of making a few more useful reflections in connection with the wide range of subjects that we have investigated together. In looking at them again from another point of view, we may discover omissions to be supplied, interstices to be filled up, explanations to be completed, misreadings to be rectified, and inferences to be drawn that had escaped our notice. If you do not add to your previous stock of knowledge, nor derive any other advantage from this retrospection, you may acquire expertness in applying such knowledge as you have, in order to interpret correctly the phenomena of daily life and to clear away the delusions and fallacies and prejudices by which those who misinterpret them are deceived. The little knowledge already in your possession has made you

sensible that you drew your first breath and opened your eyes in a state of society vastly better than that which greeted your forefathers or that which falls to the lot of boys of your age in many other parts of the world. You see collected around you immense stores of wealth—immense as compared with any former stores, although too small to meet all the wants that depend upon them for satisfaction. You know that these stores are not dealt out indiscriminately or gratuitously to all who need a share of them, while you also know that arrangements are made so that, if possible, nobody should be left shelterless to perish from hunger and exposure. Reserving for a later period the consideration of the case of the unfortunates for whom these arrangements are made, what, to the casual observer, would appear to be the charm which places at the disposal of those who are fortunate enough to possess it, all the portions of wealth which they are constantly using and consuming?

B. Money. There seems to be no other limit to the power of using and consuming, we do not say of enjoying, wealth, except the quantity of money to give in exchange for it.

P. Have we not agreed that credit confers this power of using and consuming, as well as money?

B. But if credit means confidence that the money promised will be forthcoming, money may still be considered the charm—present money, or future money relied upon as much as if present.

P. Money being the charm which opens to its possessors participation in the stores of wealth, how is it that supplies of this charm so constantly outflowing are as uninterruptedly replaced, so as to admit of undiminished consumption and use of wealth for the future?

B. The renewed supplies of money are obtained by sale of wealth or services; or from the receipts of interest, rents, and annuities, or of loans repaid. And the persons from whom these payments are received, directly or indirectly, procure the money for the purpose by the sale of wealth or services.

P. And thus we have a constant round of production and

consumption in which all are more or less engaged, some producing much and consuming little, some consuming much and producing little or nothing, and others again relying for what they consume upon the goodwill or sense of duty towards them of others. Is it found that all persons who are well provided with money can readily obtain whatever they require, whether in the form of wealth or service?

B. It is. The directors of production and the preparers of service are on the look out to anticipate what is likely to be asked of them by possessors of money, so as to be prepared to supply it. And success in anticipating demand and in producing wealth and services in the form sought for procures for those who succeed, in their turn, money to purchase what they desire to consume and use. Incomplete success or failure in it altogether leaves the producer or would-be producer short of money or moneyless.

P. Surveying the ordinary routine of daily and weekly expenditure, may we say that people possessed of money are nearly sure to obtain the very things which they will desire to consume and use?

B. Yes, in proportion to the money which they possess.

P. Does this hold specially good for articles of food, clothing, fuel and furniture?

B. It does for all articles that may be considered necessities of life.

P. How does the supply of shelter correspond with your position that access to wealth may always be obtained by those who have money, and in proportion to the quantity of money which they are prepared to disburse?

B. Accurately; with the understanding that it best suits the convenience of house proprietors and shelter-seekers that the houses should be let for a monthly, quarterly or annual payment, instead of being sold. The reason why more shelter is not provided and more houses are not built to be let, is because would-be tenants are short of the money needful for their acceptance as tenants.

the work required in a parish could not be well done except by some species of local government. We may observe, and the observation will be lost in keeping with all our previous conclusions and reflections, that there ought to be no occasion for speaking or thinking of rates and taxes as payments to be enforced. Rates and taxes are the payments made for protection and other blessings better provided for government than they could otherwise be. By an intelligent people they will be paid as cheerfully as they pay the grocer for food, clothing and other necessities.

P. There are two sets of services which are essential in people's well-being. One, for which all people are compelled to pay, however much any of them might protest that they could dispense with them. The other which each individual is at liberty to decline or to buy for himself, according to his own estimate of the quantity and quality, and the time and place most suitable for him to derive benefit from them. We have agreed that the first of these two sets of services, which, for distinction sake, we may call government services, could not be performed by individuals or by small numbers of individuals for themselves. But is the number of the people for whom the services are intended to be performed, a matter of much moment?

A. It cannot be otherwise; for the services are of a nature to require the combined action of large numbers. It is true that a comparatively small number perform the actual services, but as they devote their whole time to the work, they must be paid by large numbers, or the money contributed will not be sufficient to require, nor consequently to maintain their services.

P. Would you be prepared to say that a country had been more efficiently governed, and that the number of the people for whom the services are intended to be performed, is a matter of much moment?

A. That would be a question for the people to decide. I am not prepared to say that a country had been more efficiently governed, and that the number of the people for whom the services are intended to be performed, is a matter of much moment.

perfection, if indeed it could otherwise be supplied at all, on condition of its being required, for a whole community? You know what this want is, and can tell me how the means for supplying it are paid for.

B. We cannot be mistaken about the want to which you refer. It is the want of protection. Protection unprovided would make it difficult to provide any of the other things that man cannot dispense with. It is a prime necessary, and the same will and power which provide it, insist that as nearly all as possible shall pay towards it in taxes.

P. Have you never heard taxation complained of, as if it were a grievous imposition, instead of being the readiest means of procuring a blessing inferior only to food and shelter, themselves unattainable in decent perfection and quantity without it?

B. We have; and very silly talk it is. Complaints are reasonable enough, and ought to be followed up by efforts to obtain redress, if the money collected by taxes be squandered or injudiciously expended. But the very people who complain of taxes will at times be urging the government to undertake more than they do, and seldom even attempt to explain to their fellow-countrymen how a saving might be made in expenditure without impairing the efficiency of our means of protection.

P. Do you wish me to understand that, in your opinion, it is desirable that all people, save only paupers and criminals, should be made to contribute towards supplying the protection which they enjoy?

B. We do; and also for other benefits conferred by local government under the sanction of the general government, such as the lighting, repairing, watering and cleaning of the streets, maintaining the destitute and caring for their children.

P. Are your reasons for enforcing payment of parish and other local rates from all in the district, the same as those for enforcing payment of the general taxes from all the inhabitants of a country?

B. They are. It is too obvious to need explanation that

the works required in a parish could not be well done except by some species of local government. We may observe, and the observation will be but in keeping with all our previous conclusions and reflections, that there ought to be no occasion for speaking or thinking of rates and taxes as payments to be enforced. Rates and taxes are the payments made for protection and other blessings better provided by government than they could otherwise be. By an intelligent people they would be paid as cheerfully as they pay the prices for food, clothing and other necessities.

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P. Would you be prepared to find that the people of this country had been more efficiently protected, and better provided with government services, progressively as they increased in number?

B. That would be our expectation, not only because there were larger numbers to contribute towards the payment for government services, but because the increase in their numbers

would be an indication of higher industrial qualifications, and of the capacity to supply a more efficient class of government functionaries.

P. The history of this country corresponds exactly with what you expect must have occurred; and all the causes which you mention have doubtless concurred in giving us the better government which we enjoy. Do we find that the combined action of numbers is required, although in a less degree, to induce a supply of many services which are not undertaken by government?

B. We do. Take, for instance, that great want which our increased intelligence has caused to spring up among us—the desire to be kept informed concerning all the events and movements, as far as they can be learned, which have occurred in every part of the earth. Without numbers among whom to distribute the expense of obtaining this information, and for which they are willing to pay, it could not be supplied so cheap as it is to each individual. And if it were not to be bought so cheap, such large numbers could not afford to buy. It may be doubted whether newspapers could be supplied as cheap as they are, if they had not been made available by numerous persons who wish to make known that they have services and wares to dispose of, and also by numerous persons who wish to make known what services and wares they are ready to purchase—not to mention the many other matters to which it is desired to give publicity. The columns of a newspaper in wide circulation are eagerly resorted to by all classes of persons ready to pay for the permission to advertise in them the several matters which it is desired to make generally known. Thus the combined action of numbers ready to pay for news and for the means of learning what is advertised, and of numbers ready to pay for permission to advertise, induces certain members of the community to engage at great cost in supplying their demands.

P. Where the general government and local governments under its sanction undertake to supply wants, they secure wide and combined, we might almost say unanimous, action to pay

them, or supply them with an equivalent, by enforcing payment for what they supply. But where services or commodities are supplied by individuals, or by companies of individuals, how can they make sure of a sufficient number of purchasers to remunerate them for their outlay?

B. No better expedient has yet been discovered than to leave buyers and sellers, consumers and producers, to come to an understanding between themselves. Buyers are making known their wants day after day. Sellers are taxing their sagacity to the utmost to discover beforehand the services and commodities which future buyers will be most likely to ask for.

P. And is it generally found that buyers are readily supplied with what they are willing to pay for, and to any extent?

B. It is; for the favoured few who supply that which producers in general are not supplying in sufficient quantities get extra price or pay, owing to the pressure of buyers unsupplied or ill-supplied. This extra price or pay induces them, and others also, to produce more of that for which buyers are asking. The penalty of producers who supply what buyers do not ask for, or ask for in quantities less than the quantities produced, is to meet with no buyers, or else with buyers too few to enable them to sell the whole of their supplies without submitting to prices which will not remunerate them.

P. Are you not somewhat in contradiction with yourselves? Did not your former answers imply that the combined action of numerous buyers enabled wares and services to be supplied at less cost and sold cheaper than they otherwise could be? And do you not say now that the larger number of buyers raises prices, while the smaller number depresses them?

B. You ought to give us credit for being able to keep in mind the different effects upon prices of an unlooked-for increase in the number of buyers, and of an increase permanently established. The inhabitants of a small village might be compelled to pay a price for their loaf beyond that paid in the adjoining town, because the baker could not otherwise be remunerated for his labour in baking the small number of

loaves required of him ; and the village could not suffer him to go. A sudden unexpected influx of visitors might lead to famine prices ; but if the small village expanded into a town capable of giving constant employment to several bakers, then the number of bakers would adapt themselves to the number of inhabitants, so as to cause bread to be supplied at the minimum cost per loaf, and to be sold at a price in keeping with the cost.

P. You wish to make a distinction between a large and an increasing number of buyers, and between a small and a decreasing number of buyers. A large number of buyers constitutes what is frequently called a wide market. And while you admit that a wide market will generally be abundantly and cheaply supplied, an increased number of buyers will cause prices to rise, as a diminished number will cause prices to fall, although but temporarily.

B. Not forgetting that both the increase and diminution of the number of buyers of particular commodities and services may be anticipated, as indeed they often are by sellers, and thus disturbance of prices is prevented : expansion or contraction of demand being met by expansion or contraction of supply.

P. It was feared, when our railway companies were first formed, that the power of transport exclusively held by them might lead them to enforce exorbitant charges upon the public. The legislature, therefore, to protect the public, attached conditions to the right conceded to them of obtaining possession of the land, and of making the roads. A maximum charge of threepence per mile for each passenger was fixed, and once every day a train was to be run, at a charge not exceeding a penny per mile for each passenger. Do you think that these conditions have proved very onerous or embarrassing to the railway companies ?

B. It is well known that they have not. If there are any instances, they are very rare, in which fares have been fixed at the maximum of threepence per mile. They are mostly far below that rate. Whenever the directors of railway companies

can make sure of a very large number of passengers, as on general holidays and on Sundays during the summer and autumn, they organize excursion trains at fares much below any that the legislature could have thought of.

P. Might one not expect that the directors of railway companies would take advantage of the access of numbers to reap the fullest benefit from it by keeping up their fares?

B. The opportunity of doing so is not offered to them. It is their acquaintance with the means and inclinations of large classes of people which leads them to hold out the temptation of great enjoyment at low fares. If by reducing the excursion fares to one-fourth of the ordinary fares, they can increase the number of passengers tenfold, the profit to the companies of excursion trains at reduced fares may exceed that of ordinary trains at full fares. The anxiety of the various railway companies to attract excursionists to their own lines may be judged of by the outlay which they make on advertisements to explain to the public the cheap means placed at their disposal for visiting all the remarkable places along their respective lines.

P. Might it not be said that the railway companies, in catering for the public in order to earn profit, observe the latent power of procuring enjoyment through combined action, and apply themselves to call it out and direct it?

B. It might most justly. And the means of calling out and directing this latent power of combined action, are the promulgation of the intelligence that a great pleasure hitherto accessible to a few is now made cheap and thereby accessible to many.

P. How do the different methods of procuring supplies of water and artificial light serve to exemplify the effects of the combined action of numerous buyers?

B. Admirably. Isolated houses in the country and small villages have a very imperfect supply of water compared with that which is so cheaply and copiously provided in all our great towns. They are obliged, also, to put up with an inferior

light from tallow and oil at a large cost, whereas towns bring together sufficient numbers of buyers to enable a better light to be supplied to them at a less cost. In our larger towns numerous gas companies are at work supplying still better light and at a still lower cost.

P. Can you think of any other striking examples of the beneficial results of the combined action of numerous buyers?

B. Our museums, picture-galleries, exhibitions, theatres, and concerts are, we think, striking examples of the power of combined action among buyers to procure amusement and relaxation conjointly with refinement and improvement. These sources of enjoyment are clearly beyond the reach of small numbers and scattered populations. No capitalists would think of embarking their capitals to provide amusements, for which they could only be adequately paid by numbers, where there was evidently no population sufficiently dense from which those numbers might be attracted. Given a certain density of population, the study of the tastes and manners and tendencies to which it might be profitable for capitalists to address themselves, is worth engaging in for the purpose, first, of ascertaining what they are, and then, of providing attractions to draw forth the amount of money which a combination of large numbers could alone be expected to make up.

P. In the examples which we have so far selected, there appears to be a need of the combined action of numerous capitalists or of large capitals to procure what is required for sale, as well as the combined action of numerous buyers; and these examples are certainly very striking. But are there not others quite as striking, where, while the buyers are numerous, those who purvey for them are isolated individuals, not likely, however, to be at the pains of preparing as they do, unless stimulated by the hope of making themselves the centres on which the money payments of a large circle of buyers would converge?

B. The individuals who come the nearest to the description

B. The first and most striking peculiarity which distinguishes the combined action of producers or sellers from that of buyers or consumers, is, that the former must be possessed of capital, whether that capital be their own or trusted to them by others. Another is, that the duty is imposed upon them of organizing all that combined action which is required to enable them to produce, and also of anticipating the wants and desires of holders of money, so as to produce that which will attract them in sufficient numbers as buyers.

P. The work of procuring the means of comfortable existence, according to your account, is very unequally shared by buyers and sellers. The first have little more to do than to ascertain what they wish to buy, and to let their wishes be known; whereas the second take the whole of the trouble and responsibility of anticipating what the wishes of future buyers will be, and of procuring and selling what is likely to be asked for.

B. It does not follow that any undue burden is thereby imposed upon some individuals, while others are released from care and anxiety; since the number of people who are not sellers as well as buyers is so small that while each has relief in the latter capacity, he cannot escape, except in a small number of cases, the responsibility, risk, and labour which attach to every producer.

P. This inevitable amalgamation in the same person of the work of buying and selling, clearly seen and understood as it exists, and as you explain it, removes any invidious distinction that might be drawn between the respective lots of buyers and sellers. It does not, however, touch that sad cause of suffering—the want of money wherewith to buy—which afflicts such vast numbers of people. Ought you not to be able to give some answer to those who ask, how it is that while we see such masses of wealth, which the possessors are ready to sell, there should be so many in want of some of it, and yet not possessed of the money wherewith to buy?

B. On previous occasions we have often, as we think,

answered this question. Although it may not be easy to enumerate all the causes which prevent money from coming into the hands of some, and pour it abundantly into the hands of others, many of them are obvious enough. The intelligent, industrious, skilful, trustworthy, and careful members of society, especially those who deserve all these epithets in combination, will have more money at their disposal than others who are deficient in, or actually devoid of, the qualities which would entitle them to these epithets.

P. There are many people who would not dispute the general correctness of your views, but yet contend that the contrast between the moneyed and moneyless portions of society is too marked—too glaring for them to rest satisfied without seeking further explanation. They think they can trace sources of privation and of oppression from which whole classes are unable to escape, owing to the bad arrangements under which the work of production is carried on, assigning enormous gains to a few, and the barest subsistence to multitudes.

B. We thought you were pretty well satisfied that the various gradations between the being blessed with all the good qualities, and the being cursed with all their opposites, went far to account for all the gradations to be observed between the most comfortably and most uncomfortably circumstanced in the land.

P. Your usefulness in life would be greatly diminished were you to take your stand here, confident as you may be, and justifiably after your long course of study, in the truth and certainty of your own conclusions. They who aspire to take an active part in the work of improving society must not be indifferent or indisposed to acquire the capacity of unveiling the delusions and mystifications which, to the eyes and understandings of those upon whom they impose, are as much substantial truths as your convictions are to you. The persons who think that they see more human misery than is fairly assignable to the industrial disqualifications which we have so often gone over, and who, even more, lay claim to having dis-

covered the cause of the residuum unaccounted for, in defective combinations, or in the lack of co-operative arrangements, are entitled to our attention and respect. They stand on common ground with us. We acknowledge a bond of union in our researches. We wish to aid in the removal of all removable causes of misery; and the first step for the purpose is to ascertain all the causes, and then to distinguish the removable from the irremovable. The question which we have now before us is, whether defective co-operative arrangements or disregard of combined action among producers and sellers can be shown to play a conspicuous part among the causes of destitution and suffering.

B. There can be no doubt that it may, for a well-conducted co-operation is impossible, when the industrial qualifications indispensable for success are wanting.

P. Yes; but this mode of dealing with the suggestion submitted to us could not satisfy the parties who offer it. When they set up defective co-operation as a cause of insufficiency of produce and of unfairness of distribution, they do not refer to what must necessarily be occasioned by bad industrial qualities, but to something in addition. If, in dwelling upon neglect of co-operative agency, they had simply in view the individuals left aside as unfit to be elected members of a co-operative association, which would be the more useful—to call attention to the neglect of co-operative effort, or to the unfitness or supposed unfitness of those against whom co-operative membership is closed?

B. The latter, of course; since it might lead to efforts to cure this unfitness, or to prevent its continuance or its spreading, and to remove the misapprehension where the unfitness supposed did not exist.

P. Shall we examine how co-operation or combined action for producing or selling is carried on, much in the same way as we examined how it was carried on for consuming or buying, and see if we can trace some of the signs of the defectiveness complained of, and ascertain wherein it consists?

B. We shall be very glad to follow any course of inquiry in which you will lead and assist us.

P. What shall we say are the principal elements that must exist in every co-operative effort for production?

B. Capital, administrative capacity and labour. We put them in this order, because, however true it may be that labour was the source of capital, it is obvious that no industrial works could now be executed unless capital were prepared—unless capital pre-existed to assist labour, or even to admit of its being set in motion. Administrative capacity must come next, because capital and labour cannot be productively employed without its guidance.

P. In order to do full justice to those who insist upon more and better co-operation, give me a few illustrations of the combined action of these elements, without specifying by whom in particular the elements are contributed, reserving for examination how the works are conducted, and how they might be better conducted, whether by readjusting the elements or by rearranging the parts of the persons who contribute them.

B. The industrial undertakings which bring together under one management the largest amount of capital, maintaining and aiding at work numerous labourers arranged in classes and placed under chiefs and sub-chiefs of departments whose orders they obey, are our railway, steam-packet, and dock companies. The immense quantity of work performed by these companies, large as are the capitals engaged, causes the attention to dwell almost exclusively upon the administrative capacity, the discipline, organization, and appropriate contrivance observable on all sides. Turning next to the banking and insurance companies, useful and numerous as are the services which they perform, the operations are so simple and the labourers employed by them are so few, that the capitals embarked in them become their more prominent features.

P. Can it be that the capitals of the first set of companies are more fully employed—do more work than the others? Do they also earn more profit?

B. On further consideration, that can hardly be. We ought not to have left unnoticed that these latter companies, generally, cannot be said to employ their capitals in the same sense of the term "employ" that the others do. The first, in reality, are not only employers of their own capitals, but also employers of capital which they borrow frequently from companies of the second description. So far as the second lend their capital, we can only judge of the labour which it sets in motion, or imparts efficacy to, by following it into the hands of the employers who borrow it.

P. What do you suppose has led to this kind of dealing between these two classes of companies ?

B. The desire on each side to turn their capitals to the best account—to make their capitals as productive as possible.

P. Have these methods of employing capital been long practised ? and have many changes in detail been adopted since they were first introduced ?

B. They may most of them be described as modern—some very modern ; and all have undergone changes, some of which have been equal to the replacement of new methods by others still newer.

P. And what may have been the object of these new methods, and of the replacement of new methods by newer ?

B. Increase of profit, increased productiveness of capital.

P. Independently of the additional resources which from time to time are placed, by increased knowledge, at the disposal of administrators of capital, and of the greater skill and aptitude brought to bear from time to time in applying these resources, would it be possible to devise a scheme by which the capital so far mentioned could be more productively directed ?

B. We cannot pretend to say how it could, or that it could. Neither, perhaps, ought we to say that it cannot. We may fairly surmise that it would be employed more productively if the administrators trusted with the control of it knew how ; and we may also surmise that it will be hereafter, so soon as

the way is made apparent. For the administrators in command who resist an undoubted improvement must, in the end, give way, or make way, for other administrators who will adopt it.

P. So far as you can see, then, productiveness of capital is the object aimed at by its administrators; and it is not more productive than it is only because they do not know how to make it produce more.

B. We certainly cannot think of any mode better adapted to make capital productive than the one now pursued, understanding, of course, that we are quite alive to the increased productiveness which would follow a more general participation in the industrial virtues, and which may yet be in reserve for us from further advances in knowledge.

P. We ought to have examples taken from many other different classes of industrial work, or from other ways of obtaining money wherewith to buy, looking upon money as the charm which gives access to the means of subsistence and enjoyment. It is true that we have not yet grappled with the greater difficulty of showing how, with the increase of production, a distribution which assigns miserably insufficient portions of wealth to vast numbers is to be rectified. We shall treat of this with better chance of success when we have ascertained the causes, if there be any, which yet retard the increase of the total quantity of wealth available for distribution among individuals.

B. The works of farmers and manufacturers offer for our observation other forms of combination of the same elements. There is less massing of capital under one management, and apparently a greater preponderance of labourers in proportion to the capital embarked.

P. Comparing the modern processes for cultivating the land and for transforming raw produce into articles of food and clothing with those which they have progressively superseded since the beginning of the century, do they present a like preponderance of labourers over capital?

B. No ; for the labourers, increased in numbers as they are, have been steadily accompanied, or even preceded, by a still greater comparative increase of capital. The contrivances for draining the heavy lands and fen districts, and for maintaining constant supplies of water on the hills, the introduction of artificial manures, and the adaptation of steam-power to aid the instruments of labour used for agricultural as well as for manufacturing purposes, not only provide more employment, and produce a greater quantity of sustenance, but convince us, while we use them, that the maintenance, in good working order, of all this capital is an indispensable condition of our continued enjoyment of undiminished comfort.

P. How does the quantity of administrative capacity observable in the conduct of agricultural and manufacturing work at the earlier and later periods compare with that of the capital and labour at the two periods ?

B. Administrative capacity is, almost like steam, a power long latent among us, but just developed and used, making it difficult to exaggerate the extent to which it is applied now as compared with a century ago.

P. And what has been the leading thought in all the changes that have been gradually made in the form and direction given to capital and labour ?

B. To increase the quantity and improve the quality of all the services and commodities available for the purposes of comfortable existence.

P. Would not many people contend that the object aimed at by administrators in all the arrangements and new applications of capital under their control was their own profit regardless of the effect produced upon the happiness of others ?

B. They might ; and we should not differ with them, if they would drop that gratuitous and ill-natured assertion about disregard of the happiness of others. The people who indulge bitterness of spirit while contemplating the successful efforts of administrators to increase their profit, lose sight of the step which intervenes between their products and the profit

of which they are in search, viz., the sale of their services or merchandise, which can only be effected by the offer of them of a quality and at prices calculated to attract buyers and to prevent other administrators from supplanting them in the market.

P. Are you as little prepared to suggest how capital and labour could be better directed than they are to produce a larger quantity of commodities and services for sale, as you were when we had before us the capital and labour engaged in transport by land and water?

B. Quite.

P. Does the appearance of improved arrangement and method which you have observed in other businesses extend itself to mercantile business, wholesale and retail?

B. We do not know of any such striking examples of increased power, nor do we think there can be the same scope for them, in purely mercantile business. The same source whence came advances in science and capacity for applying them, viz., the greater intelligence of man, has led to the perception of openings for conducting some businesses by bringing together great varieties of commodities and services into one establishment divided into numerous departments, and of refraining from making the attempt where close attention to a few varieties gives the better chance of doing well and cheaply what the public will be disposed to pay for.

P. The capacity of distinguishing between the commodities and services which may be most cheaply and efficiently distributed from one large establishment, and those best distributed from numerous smaller ones, and of directing well what had been judiciously contrived, has given occasion to much adverse comment. Of the larger establishments, it has been complained that the prices at which they are able to sell, on account of the extent of their business as compared with the expense of conducting it, are lower than those at which tradespeople engaged in the same business on a smaller scale can afford to sell. Of the smaller establishments, the only

kind for which there is scope in some neighbourhoods, and for the sale of particular articles, complaints the very opposite of these may be heard. The retail prices, it is said, are disgracefully swelled, out of all proportion to the wholesale, by a set of persons who step in between producers and consumers, and obtain a subsistence at the expense of buyers, out of the difference between the two prices.

B. The first complaint might be made with equal justice against every inventor and improver who by his intervention diminishes the cost at which commodities are produced. A skilful administrator who by his superior arrangements contrives to distribute a quantity of commodities, say at twice the cost at which one-tenth of that quantity was being distributed by others, attracts buyers by his lower prices—gives them more for their money: that is, does the very thing which it is desirable should be accomplished for the good of the community. The second complaint can have weight only with those who consider the first to have none. One must be groundless; both may be. Of course it is not gratifying to anybody to suspect that he is paying an unduly heavy charge in order to have commodities brought from wholesale dealers and retailed in his own neighbourhood. There are two preventives always at hand to avert such an imposition from every neighbourhood; the inducement to other capitalists to step in to enjoy the extra profit which it may be presumed is being earned by those who charge and receive exaggerated retail prices; and the resort by buyers to more distant and less conveniently situated shops for the purpose of buying at lower prices. It behoves capitalists to survey carefully their means and position before they unite together to open an extensive store where distinct shops might better suit the neighbourhood, or to establish a number of unconnected shops where a large capital collected by combined action into one mart or store might supply the public at lower prices, and at the same time yield a better remuneration to the capital, administrative capacity and labour engaged.

P. There are some other forms of combined action by which individuals occasionally strive to increase their indifferent share of wealth, or to obtain more money wherewith to buy commodities for consumption. You must have heard of combinations among workmen to increase their wages, and among administrators of capital to increase their profits. You would not entirely pass them by, when examining all the means supposed to be within reach of each individual for increasing his share of wealth or of money wherewith to buy commodities.

B. Whether this form of combined action be adapted for its purpose or not, it ought to be examined so long as it is confided in by anybody. We may observe of the other forms of combined action which we have had before us, as compared with this, that they aimed at accomplishing their objects through an increase of the quantity of wealth divisible among all engaged in producing it; whereas this aims at procuring for those combined together an increased share of an unincreased quantity. Success in this form of combination could only be achieved by diminishing the shares of others.

P. Do you think that this assertion of yours ought to be proffered or accepted without some proof to support it?

B. Assuredly not. But we think proof in its support has been given beforehand. We have agreed that the tendency of all the industrial efforts of individuals, whether labourers or capitalists, and however combined, is to increase the quantity of wealth. The tendency of this form of effort is to appropriate to one party what would otherwise go to another.

P. And might not a combination among labourers to obtain an increase of wages, or among administrators of capital to obtain increase of profit, also be the means of increasing the general store of wealth?

B. We think it is as incumbent upon those who assert that it will, to prove what they assert, as we have admitted it to be upon us to prove the truth of what we had asserted. Surely nobody can fail to see that there is a wide difference between the exertions of labourers bent upon obtaining an increase of

wages by making their labour more productive, and therefore more sought for by employers, and the exertions of labourers bent upon doing the same thing by dictating to their employers or by warning off other labourers from encroaching upon their field of labour ; or between the exertions of capitalists striving to increase their profits by making their capitals produce more wealth, and those of other capitalists who would make unfair bargains with their labourers, or impede the flow of capital, with its accompanying administrators, into their own line of business.

P. While you see a wide scope for increased wages and profit, through efforts at better combined action of capitalists and labourers conjointly to produce more wealth, you see none through the combined action of one set of capitalists, or of one set of labourers against another, or of capitalists and labourers against one another. Can you give any examples of this latter kind of conduct, to enable us better to appreciate the consequences which may be expected from it ?

B. Here are some, to which our attention has frequently been drawn :—

A new method, calculated to make capital and labour more productive is introduced ; it calls for more aptitude and altered aptitude from labourers. Instead of qualifying for the new work, or shifting to some other business, they combine to prevent the use of the new method, under the delusion that they will thereby continue undisturbed in the routine and the wages to which they had been accustomed.

A branch of work, of late growth among us, such as iron-ship building, shoots up with an unlooked-for rapidity. Builders desirous of accommodating their works to supply the wants of the public, draw off such of their men working in wood as are capable of the new work, to assist in iron constructions. The workmen in iron combine to prevent their employers from making this arrangement for keeping, instead of discharging, men who are no longer wanted to work in wood. One would fancy that if the understandings of those workers in iron could be enlightened, their feelings would hardly incline them to

condemn their fellow workmen to ill-requited work, or to shut them out of work altogether, throwing them and their families upon the earnings of others for their support.

Large works are contracted for, to be executed within a certain time. The workmen most competent to assist the contractors in carrying out the work combine to get higher wages and to deter other workmen, who would gladly take their place, from offering their services. Were it to be expected that such combinations could be of frequent occurrence, many contracts would be declined, much work left unexecuted, and the increase of the wages-fund checked or prevented.

When the pretensions of men combining in these ways are resisted and end in a strike or lock-out, there can be no question that less work will be done and less wealth produced. When the pretensions are submitted to, neither more work nor better work is done, and no more wealth is divisible among the parties engaged in production. If the submission of the employers be under momentary pressure, when that is taken off, a redistribution of work calculated by the employers to produce more wealth is little likely to give so much wages as before to those who took advantage of the pressure.

P. Are you not confessing that wealth earned by the combined action of capitalists and labourers might on some occasions be divided between them in unfair proportions? and would not the combined action of capitalists among themselves exclusively, or of labourers among themselves exclusively, assist in rectifying such unfairness?

B. We certainly are confessing, and not for the first time, that the wealth produced by the combined action of capitalists and labourers is not uniformly distributed as profits and wages in the proportions which it is either desirable or possible to preserve. But we cannot understand why these proportions should be called unfair. The tendency of all the efforts of each individual labourer, and of each individual capitalist, is to bring about a distribution of wages corresponding with the industrial powers of each labourer, and of profits corresponding

with the capital and administrative capacity of each capitalist. But a tendency to bring about presupposes something to be brought about—a tendency to rectify, something to be rectified, or, if you please, a tendency to make fair something that is unfair. If, in any particular business, administrators are gaining extravagant profits, will not more capital and more administrative capacity be attracted to it, raising the wages of the labourer or bringing more labourers into it? And if in any particular business labourers are inadequately paid, will not the best among them secede, unless more capital flow in to retain them at increased wages?

P. Is there not a numerous class of persons who take considerable pains to qualify themselves to render services which they know will be asked for, who seem to require no capital to assist them, and who do not sell their services for wages or salaries?

B. There is the class of professional men. They occupy an intermediate position between capitalists and labourers. Their attainments are the fruits of so much time, study and preparation, that it is scarcely possible for them to begin to earn wealth for their own maintenance till much more advanced in years than those who sell their services for wages and salaries. They must, accordingly, be supplied with wealth from other sources, and where this is scarce may have to suffer much privation, exercise great self-control, and endure considerable anxiety. Their services, so soon as they are thought to be worth asking for, are of a nature which will not admit of their being exclusively purchased by any one consumer, patient, client, capitalist, or combination of capitalists. They are resorted to for professional advice, as tradesmen are by their numerous customers for the wares in which they deal.

P. Does not the career of professional men seem to be peculiarly beset with difficulties and hazards? The certainty of wage or salary is denied to them, and the profits of the capitalist are beyond their reach; and yet upon them is thrown the responsibility of being prepared to sell what buyers will

ask for, as a condition of being admitted to participation in the general store of wealth.

B. Their career is certainly beset with hazards, to cope with which requires forethought and adaptation of means to ends. But this forethought cannot be dispensed with at the commencement of any industrial career. The advice and guidance of parents or elders ought to be at hand for the protection of the young, who, indeed, when parental duties are faithfully performed, will not, in the first stages of any industrial employment, be thrown for subsistence upon their own resources. It being once contrived that education of the right kind is to be the birthright of every child, we do not see that the responsibility of supplying services or commodities which others will wish to buy need weigh heavily upon anybody.

P. But with the best of educations, how can the young whose parents have no superabundance of wealth—the case inevitably with most parents—hope to maintain themselves while acquiring professional ability and afterwards finding purchasers for the services which they are prepared to sell?

B. The children of parents comfortably, although not superabundantly, provided with wealth, if some of the wealth have been judiciously employed in their education, do not seem to us the most exposed to danger or most in need of pity. They have a wide range for selection presented to them. The children of poorer parents must hasten to sell their services. And in the variety of openings presented to sellers of services, through the combinations of division of labour and co-operative effort, buyers are to be found for all kinds. Some services can only be rendered by those who are pre-eminent for strength, for agility, for quickness of sight or hearing, for delicacy of touch or taste, for courage, for hardihood of temperament, for power of sustained application, and by those who have the command of a certain quantity of wealth. On the other hand, there is employment to be had adapted for the young, the weak, and even for the blind, the deaf and the dumb. Upon each individual, or upon his parents and guardians until he is

capable of making a good selection for himself, must be thrown the responsibility of engaging only in that which he sees a prospect of being able to carry out usefully for others, and hence advantageously for himself. In every society which has made much advance in civilization there will always be found numerous individuals sufficiently raised above the necessity of absorbing toil for their own maintenance, to have the means, and disposed to engage in the work, of helping those who are unplaced or ill-placed into positions where they may serve the public and maintain themselves.

P. Looking back upon the investigation in which we have been engaged, does it appear to you that much of the insufficiency in our store of wealth, or any of the want of money wherewith to obtain a share of it, so keenly felt by large numbers of people, is attributable to neglect of co-operation, or of combined action, whether in the production of wealth, or in its distribution among those who had been brought together to produce it?

B. We cannot be qualified to judge, neither ought we to venture to express an opinion, upon the extent to which co-operation, or combined action, admits of being carried. But it appears to us that the more pressing call—the wider opening for extension—is in the supply of the elements for combination, not in the readiness to combine the elements which are to be had. It is not better combined action that we ought to seek for, so much as better individual action capable of being combined. Better individual elements being provided—that is, more intelligence, industry, skill, trustworthiness, sobriety, and carefulness—the judicious combination of them can scarcely fail to follow.

ON INDIVIDUAL ACTION.

P. PREPARING as you are, each to enter upon some industrial career, about to be thrown upon your own capacity for guidance, it would not do for you to shut your eyes to, or turn them away from, the fact that this world is rife with a sad extent of human suffering, some unavoidable, much more clearly preventible. Into this world, but little altered, if at all, for the better before the time arrives for your taking leave of this school, you must go forth to play your part. The knowledge which you have acquired, the habits which you have formed, and the sense of duty, and the resolution to act up to it, which you have cherished, will, I have little doubt, save all of you, with rare exceptions, from what a well-regulated mind would consider a life of hardship or misery. And you will be prepared to soften and render bearable the suffering among yourselves that cannot be guarded against. But there are crowds of men who, when boys, were not so well cared for; and there are boys for whom no care is being taken now. Among them it is your destiny to mix. You will hear it denied that much of the suffering which we perceive to be preventible can be prevented. You will see the most inconsistent and the strangest methods resorted to, and relied upon, for the prevention and relief of that which is supposed to be preventible, and the most glaring oversight and disregard of methods in which you would place your greatest trust. The picture of human society, as it now appears to the eye of the observer, is one of incessant movement and action—much enjoyment and much misery—a moving panorama, in

which thoughtful men distinguish a steadily increasing preponderance of good over evil agencies, of enjoyment over misery. To quicken the growth of this preponderance, is the common duty of us all. To have contributed to it is the grandest reward in prospect that can fire the ambition of the best and the wisest. No one singly can do much. Each must draw others to himself, or make his co-operation worthy of being sought by the good and enlightened. He must free himself from prejudices, and qualify himself with the ability of assisting others to obtain like freedom. Prejudices, while they sway the mind, wear the appearance of great truths; and individuals and society under their influence cannot be brought to throw it off at the word of command: they must be prepared to interpret aright what is presented to them. "Appearances," it has been said, "are deceitful." In reality, ill-cultivated minds are deceivable by appearances which enable the well-cultivated to guide themselves safely. The stars of heaven, the chronometers, the charts, the soundings, and the light-houses and land-marks which help one mariner into port, will hurry another to shipwreck. Let us, then, resume the thread of our last conversation. We were not able to discover how any re-arrangement of the various works now in operation could be made for the better, save and except by enlisting every advance in knowledge, and improvement in method, as they are brought within reach of those under whose guidance works are conducted; and yet we have recognized that there is an inadequate supply of the wealth indispensable for the prevention of much of that suffering which is preventible. We know, besides, that the suffering from our short supply of wealth is aggravated by a wide-spread suspicion that our insufficient store of wealth is not distributed so as to alleviate suffering as effectually as it might. In the wide display of industrial effort which we have contemplated and examined together, presenting to us such a multiplicity of forms, from the grandest combinations down to the minutest of individual appliances, we cannot have failed to be impressed with the numerous instances of

failure, loss, and disappointment interspersed among the much more numerous instances of success. Can you make a guess as to the class of industrial works in which the instances of failure will be most numerous in proportion to the instances of success?

B. We don't know why a larger proportion of failures should be expected in one class rather than in others. Do you put this question to us, being aware that in reality any such disproportion has been actually found?

P. No. I wish merely to ascertain where you would think of looking for instances of failure. As you do not know why you should look for them in one class of industrial works rather than in others, can you tell me in which class you would expect to find that kind of conduct which, wherever it is found, leads to failure and loss?

B. We must confess to be equally unable to answer that question.

P. Let us run over some of the every-day instances in which loss or damage is sustained, or productiveness diminished, through industrial misconduct. You repeatedly see accounts of fires, shipwrecks, railway accidents, and explosions in mines. The causes of many of these calamities are never brought to light. But where they are, which cause do you imagine figures most conspicuously among the whole of them?

B. We should imagine carelessness, or that inconsiderateness which is the consequence partly of ignorance and partly of the habit of not attending to what is likely to follow upon wrong things done, and upon right things ill-done or omitted to be done.

P. Houses and scaffolds fall down and ships founder, owing to faulty construction, or to their being put to trials of strength beyond what they were fitted for. To what causes, principally, would you attribute calamities of this description?

B. Mostly to the same, accompanied in some cases with a wilful blindness to risk while seeking for extra profit, by escaping the outlay necessary for earning any with safety.

P. Another mass of calamities entailing vast suffering, both directly and indirectly, may be seen recorded in the proceedings of our courts of bankruptcy. To what causes, principally, would you attribute them ?

B. Sometimes to ignorance of the conditions which must be observed if credit is to be used with safety. At other times, to disregard of these conditions, in catching at large gains, either to cover extravagant expenditure already made on credit, or to give scope to some frivolous display or unwarrantable indulgence.

P. Commercial failures originating in these causes are no longer looked upon so indulgently as they used to be. A conviction is gaining ground that intelligence and circumspection, accompanied by expenditure well within existing means, ought to be insisted upon in those who make use of the credit with which capitalists are willing to trust them. They who use it without these qualifications and precautions, if not chargeable with dishonesty, are so close upon the verge of that crime as not to be free from contamination and disgrace. But have there not been disasters of this kind which were brought about by flagrant dishonesty ?

B. Partners, directors, and confidential managers in banks, railway companies, building societies, benefit clubs, and co-operative stores, have been known, by embezzlements, misappropriations, and actual forgery, to bring down ruin upon the establishments in which they were trusted, spreading besides loss and dismay far and wide.

P. We are all agreed that these calamities either occasion loss of capital or prevent that increase of which we have so much need ; and there is a suspicion with some that deficiency of capital is more severely felt than need be in particular classes, because other classes contrive to escape their share of privation. I do not feel at all confident that I am capable of even suggesting to you by my questions the hopes that have been entertained of averting or softening like calamities in future, by the more general adoption of a system

of co-operation in carrying on industrial works. But such hopes have been, and still are entertained; and we ought to do our best to understand the grounds on which they are based, so as not to be led into adopting or rejecting them unadvisedly. As a first step towards arriving at the grounds of these hopes, I may ask—does it not strike you that if all the individuals at work in any industrial concern had a direct interest in its success, their carefulness, their integrity and their zeal would be quickened thereby, and better fortified against temptations to negligence, dishonesty, and sloth?

B. Any altered arrangements which would quicken good qualities and counterbalance the temptations to do wrong, by the greater advantages in prospect from perseverance in the paths of duty, could not but be beneficial. It strikes us, however, that the misconduct in which many of the calamities that we have had before us originated, was the misconduct of persons deeply interested in guarding against them.

P. You do not affirm that, if all work could be conducted on some system of co-operation, the interest felt in its success by those employed would not tend to call forth and sustain all good qualities?

B. Nor do we know why we should. But we must confess that we cannot comprehend how the co-operative system is to be acted upon more than it is now. It is quite a matter of choice among capitalists to unite together or to act separately, according as the better prospect of profit is presented to them by either method.

P. Your remarks do not touch the co-operative action aimed at, which is not a co-operation between capitalists only, but between capitalists and labourers.

B. If you mean by labourers, labourers with capital, co-operative arrangements of this kind may be seen everywhere. But if you mean labourers without capital, there is a difficulty in the way which seems almost insuperable. Co-operation, as you state it, means partnership, and partnership means liability for a share of loss, as well as participation in profit. It is

either laughable or dishonest for anybody to pretend to subject himself to a liability without the means of meeting it; and capitalists would be mad to associate with such partners. Not only, besides, would labourers be unable to bear their share of the losses, they could not afford to wait for their share of the expected profit.

P. I believe it has been proposed to get rid of this latter difficulty by arranging that the capitalists in the concern shall advance to the labourers a portion of the expected profit on account.

B. Capitalists, in paying wages, generally pay to each labourer somewhat in proportion to his producing capabilities. If it is proposed to distribute the profits among them on a similar principle, the less capable labourers would, we fear, fare worse than they do now. Without capital to stand a loss, and without qualities to insure a profit, no capitalist would associate with them except under compulsion. There are many labourers whose parents and guardians are willing to pay a premium to gain an entrance for them into some industrial establishment, in which, while working for their employers, they may pick up the skill and experience likely to bring high wages to those who possess them. There are many more whose remuneration is partly small wages and partly the opportunity of acquiring and perfecting industrial proficiency. Rather better wages fall to the lot of those who resign themselves to serve at a work which affords little practice for acquiring the capacity of earning the higher grade of wages. To insist that participation in profit should be a condition of engaging in service would be equivalent with such as these—with the young in general, to be debarred from service altogether—to be prevented from forging the link in their life which unites industrial aptitude with school attainments.

P. It will be, perhaps, but fair to presume that there has never been the intention to include the very young in that kind of co-operative scheme, which, as a means of bettering the condition of the poorer classes, proposes to substitute

participation in profit, wholly or partly, for wages. Every facility ought to be afforded for providing the young with industrial training, to obtain which their friends must either pay for them, or bargain in their behalf to accept admittance to an opening for acquiring industrial aptitude in part payment for services rendered or work done.

B. Difficulties quite as great, if of another kind, are in the way of admitting many adults into partnerships or joint-stock or co-operative societies. The very same grade of labourers who are condemned through their follies, or vices, or incapacity, to put up with miserably insufficient wages, would hardly be received on a par with others of a higher grade.

P. When a more co-operative spirit is recommended as one means of raising the poorer members of the community into a happier state of existence, is it proposed, think you, for well-paid or for ill-paid workpeople ?

B. For the ill-paid, inasmuch as well-paid workpeople might often be envied by many partners in joint-stock and other companies.

P. If it were to be attempted to distribute the entire produce of labour and capital among labourers and capitalists, on some other system than that now in action, whether it be called co-operative or anti-competitive, would anybody be damaged ?

B. Seeing that the present system aims at giving to each industrial agent according to the capital, administrative capacity, and producing power contributed by him, we thought you were going to ask "who would escape damage ?" and we should have been puzzled to say ; for it appears to us the whole community would be damaged. The more experienced and efficient workmen would be tempted to slacken their exertions, the younger and less efficient to relax their efforts at improvement, the abler administrators to become less assiduous, and capitalists to indulge more in expenditure ; and thus all together, perhaps, fail to replace the wealth consumed, or at all events to replace it with as much increase as they do now.

If these results were to follow, the suffering endured up to this time through insufficiency in our stores of wealth would be aggravated in the future.

P. Are these recommendations to show a greater preference for co-operative efforts put forth, generally, in behalf of men possessed of capital, or of men who have no capital ?

B. We presume, in behalf of men who have no capital. For there is nothing but want of capital to prevent labourers from becoming partners, if so disposed, in many industrial concerns. The possession of capital would obtain for all the staff of the railway companies, of the great steam-packet companies, of the banks and insurance companies, of the dock, canal, water and gas companies, access to participation in the profits of the establishments in which they serve for wages.

P. Although, as we have agreed, workmen without capital are not in a position to share in liability to loss, might not capitalists, in order to bind them to the concerns in which they are employed, grant them a share of the profit which may be realized through their exertions ?

B. They might, and indeed we have heard of such distributions among the staff of industrial concerns in the shape sometimes of a per-centage upon salaries and wages, and at other times of occasional gratuities.

P. In flourishing concerns, in which alone such gratuities can be distributed, would you expect to find servants of every variety, from those barely tolerated to others eagerly sought for and so treated as to make their retention all but certain ?

B. We should.

P. Which would profit most from a percentage upon wages and salaries, or from gratuities occasionally distributed ?

B. Those who are in receipt of the higher wages and salaries. The gain from such a source to the more indifferent workmen could only be trifling. The improvement in their position, from serving in establishments where the practice prevailed of making these occasional distributions would be scarcely perceptible.

P. Is not the practice of remunerating the crews of boats and ships employed in the fisheries through payment of wages, greatly departed from ?

B. The departure is more in appearance than in reality, in form than in substance. If a fishing-boat were owned in equal shares, by men of equal skill, courage, and perseverance, their shares in the produce of the fishery would be equal ; and they might not be at the pains to separate their earnings into wages and profit. If prudent, they would put aside some portion of their savings to make a provision for bad seasons, sickness, and old age. But it so happens that one set of men often contribute the ships or boats and provisions and fishing-tackle, and another set contribute their labour and risk their lives, or partly one and partly the other. In these cases wages and profit must be separated. The feeding, and sometimes the clothing of the crew, are undertaken by the capitalist. What he disburses for these is so much loss to him when the fishery is a failure. A large part of the profit, when the fishery is successful, must accrue to the capitalist, to remunerate him for his risk ; the other part may be distributed among the crew according to agreement, the terms of which will have been based upon the estimate formed of the capabilities of each. Capital still preserves its character of being the source of profit, as it is the fund out of which wages are paid, whatever may be the contrivances of the administrators of capital for distributing wages among those whom they employ, according to their several producing powers. It will generally be found, where sailors or those engaged in the fisheries are prepared to forego a portion of their wages for a share in the produce of their fishing, that, like skilled artisans with their tools, they have some little capital of their own.

P. You seem, if I do not misunderstand you, to look upon the possession of capital as an indispensable qualification for gaining admittance to participation in profit. Bearing in mind that I do not speak of the very young, of those who are serving their apprenticeship and receiving their industrial training, will

you tell me how it happens that all labourers are not possessed of this qualification ?

B. So many, unfortunately, have made no provision out of their wages. So many seem even to be devoid of the thought of making any provision for the future—with whom immediate consumption is inseparable from earning ; some of whom, indeed, consume by means of credit what they are going to earn.

P. Do you not think that there are very many labourers whose want of capital cannot fairly be attributed to waste or to carelessness about making provision for the future, seeing that they never had an opportunity of earning wherewithal to save from ?

B. There are some, doubtless. Employers cannot be persuaded to give wages out of which it is easy to save to the ignorant, the unhandy, the drunken, and the untrustworthy.

P. But is it not true that many men who have started in their industrial careers with comparatively large wages and salaries have neglected to save, and hence to acquire capital ; while others who have started with comparatively small wages have acquired considerable capital through their determined forbearance from any scale of expenditure which leaves provision for the future uncared for ?

B. It is. Nevertheless, it is but reasonable to expect that labourers who receive the greater wages will not only make greater savings, but will have the more economical habits ; these being generally consequences of the intelligence, sobriety, and thoughtfulness which give a title to good wages.

P. How does it square with the notion that exclusion from a share in co-operative effort, and hence from a share of profit, is a main cause of poverty, when we see every day persons who might have the control of capital, and who have even risen to considerable aptitude for its management, preferring to rely upon their own ability to earn wages, salaries, or fees, leaving their capitals to be employed by others ?

B. These persons prove that the notion requires considerable qualification, if it be not entirely groundless. According as

men perfect their attainments, form new tastes and connections, and perceive new openings for the exercise of their powers, they will join new associations or abandon those in which they have served, they will sell their labour and lend their capital, or quit service and administer their own capital, with or without partners or loans from other capitalists to help them.

P. Supposing the attractions presented by all these different modes of directing industrial effort to be about equal, with the exception of the wealth to be earned by each, what will determine the choice ?

B. The probability of the wealth to be earned according as one might be chosen in preference to others. Skilled labourers and professional men will abandon wages and fees, and take to commerce or manufactures or farming, and capitalists engaged in these lines will return to artisan or professional life, according as the prospect of earning in each appears the more favourable.

P. Are the disparities between the several amounts of remuneration earned by professional men as great as those between the amounts earned by different grades of labourers ?

B. Quite as great, if not greater. Physicians, surgeons, and barristers in large practice vie, in the magnitude of their incomes, with some of our greatest capitalists.

P. Can there be any doubt about the cause of the comparatively large earnings of the higher grades of professional men ?

B. There can be no doubt. Their large earnings are a consequence of the general estimation in which their professional abilities are held, and of the eagerness of people who have the means of paying to procure their assistance.

P. How do you account for the want of income from which many professional men notoriously suffer ?

B. There can be as little doubt that they have failed to impress others with a sense of their ability to serve them ; and consequently there is little or no demand for their professional assistance.

P. You will readily agree that men who have spent the most precious years of their lives, and at considerable expense to their families, in qualifying for a profession, are greatly to be pitied if few or no fees find their way to them. Think of the frustrated hopes, the anxieties, the mortifications and the despondency that, day after day, must be creeping upon them !

B. Their case well deserves pity. More than that, it is much to be desired that the causes of their ill-success should be ascertained so as to relieve them, if possible, from suspense, and to prevent their continuing from bad to worse, and to warn others not to follow in their steps.

P. What do you say to the suggestion that a system of co-operation, by which they should share in the profits of capitalists, might be adopted as an expedient for avoiding the repetition of like misery in future ?

B. We are quite at a loss to conceive what people who make such a suggestion can be thinking of. It seems to us that the adoption of division of labour inevitably imposes upon each individual, with the assistance of his parents and advisers in the first instance, the responsibility of fitting himself to tender some service or aid in supplying some commodity that buyers will be desirous of obtaining. And this responsibility is not to be shifted.

P. Which appears to you to incur the greater risk—the young professional man who prepares service for which he hopes there will be applicants and buyers, or the young labourer who sells his labour to some employer under whom he has acquired the special industrial capacity which his employer has assisted him to acquire with the wish to purchase it afterwards ?

B. If the young professional man had no property to rest or to fall back upon, and no talents or acquirements extraneous to his profession wherewith to earn while establishing connection and reputation, he would certainly have a more anxious period of probation than the young artisan.

P. Is it desirable that the young, whether their apparent destiny be administrative, professional or serving life, should be, as nearly as possible, kept free from all anxiety concerning their future career?

B. If it were desirable, it would, nevertheless, be impossible; but we cannot think that it would be desirable to remove that moderate anxiety which helps to form the character, and to stimulate the conduct calculated to secure a state of well-being.

P. What would be the effect upon the young of the absence of what you call that moderate anxiety which inclines them to look upon their future prospects as dependent upon present conduct?

B. It might lead to their accepting the condition of life into which they were born as unalterable, and thereby retard the coming of that better state which intelligent men look forward to as a consequence of our greater knowledge and of our better direction of thought in regard to the use of knowledge and attainments. It might even lead to the deterioration of well-being, owing to a want of the effort or capacity necessary to sustain that which had already been arrived at.

P. Might the absence in youth of moderate anxiety usefully directed bring on that state of privation approaching to destitution which some people suppose to be caused by a disregard of co-operative effort?

B. There is no escape from the conclusion, towards whatever industrial position a youth's efforts may be directed, whether he appear to be destined to rank among labourers, administrators of capital, or professional men, that his happiness and respectability must mainly depend upon his own conduct.

P. Having been foiled in our attempt to trace any appreciable part of the privation which pervades society to disregard of combined action or co-operative effort, let us return to the examination of individual action or conduct, and ascertain, if possible, whether there be much privation which cannot be traced to misdirection in that. I read lately the case of a lad

who was at the bar of one of our police-courts. He was charged with robbery. It appeared that his employer had originally taken him into his warehouse. His ability and good service there led to his promotion to the counting-house, where unfortunately he had been unable to resist the temptation placed in his way through the confidence reposed in him. We will not say that this poor lad may not retrieve his character, but till he do, or if he do not, what wages will he be likely to earn?

B. Small only, of course, for he cannot be employed in any post of trust.

P. How would he be received as member of a co-operative society?

B. He would not be admitted at all.

P. For the like of him, then, a system of working for wages provides some means of maintenance, however small, while a system of co-operation would provide none.

B. Certainly; unless the co-operative association combined service for wages with their other arrangements.

P. Do you mean unless they acted precisely as individuals and co-operative associations act at the present time; that is, received into their service for wages, under strict supervision, labourers whom they dared not trust?

B. We can mean nothing else.

P. If one or more dishonest partners found their way into a co-operative body, how would their influence be likely to be felt, before their malpractices were discovered?

B. In less success than had been looked for, or in actual loss.

P. If some new member, gifted with ordinary circumspection, were to be invited to join such an association, what do you expect his answer would be?

B. To decline. Otherwise he would be indifferent about prospering or keeping clear of loss and annoyance.

P. Does it not appear, then, if our deficient wealth is to be increased, or our defective distribution of it to be amended,

that, however much co-operative associations may be extended in future, the members of them must be careful whom they admit as partners, and each individual must also be careful as to what association he will join, or whether he should attach himself to any ?

B. If this be not attended to, nothing but mischief and unhappiness can ensue.

P. Would your estimate of the comparative bearing of the two systems upon the position of the drunken be the same ?

B. It would.

P. If we turn from workmen tainted with vice or crime to those suffering from incapacity—from inability to perform such simple operations as those of reading, writing and ciphering, do you think that partnership in a co-operative association would hold out to them better prospects of well-being than service ?

B. Their prospects would not be very bright on either side. Ignorance and incapacity will scarcely fail to condemn the unfortunates who suffer from them to low wages and also to exclusion from any partnership concern. They would be unfit to exercise control over the management, and incapable of appreciating the management of others. If the accounts were incorrect or dishonest, they could not detect the error or the fraud ; and if the accounts were correct and honest, but not showing a balance of profit equal to their expectations, they might suspect the accuracy and honesty of the accountants and administrators.

P. What do you think of the position of men who have no capital ?

B. Theirs is the lot which is felt to be peculiarly hard. As business is generally conducted, they have to work in the same industrial concerns as large capitalists and the sons and kinsmen of large capitalists, and see the great prizes carried off, while they perform all the drudgery.

P. Does it strike you that the man who feels his work to

be drudgery is likely to be among the best and most thriving workmen ?

B. It does not ; but we repeated the word as we have heard it used.

P. Do you think it impossible that a well-conducted workman should rise to be a partner in an establishment from which the son of a previous partner might be ejected for incompetency or worse ?

B. Not impossible, but exceedingly improbable.

P. A merchant of some eminence was once chatting with me over the struggles of his boyhood and youth. His earliest employment was, he said, to be at the beck of everybody else, and to take care in particular that all things were tidily arranged in their proper places. He used to be the first to enter the counting-house of a morning and the last to quit in the evening, and often just before leaving he would seat himself in his chief's arm-chair and think to himself, "Will it ever be my lot to sit as a merchant in this chair ?"

B. You would not think us over wise if every one among us formed expectations of arriving at a like honour by following his example. Disappointment would await most if not all of us.

P. Should I also think you unwise if, omitting to sit in your master's chair and to long to be his successors, you were to take pains to grow up intelligent, industrious, thrifty, sober and trustworthy, and to accustom yourselves to look upon your work as a duty to be cheerfully performed, as a trust reposed in you, as a distinction conferred upon you, as an opportunity of self-improvement if faithfully and zealously executed, and not as a drudgery to be submitted to with reluctance ?

B. You could not do that, for the burden of all your instruction is to fix our thoughts upon becoming possessed of all the industrial virtues.

P. And have you become convinced of the utility of my instruction, and of the duty which you owe to yourselves to adopt it and to act up to it ?

B. It is to be hoped that we have.

P. You live in a state of society where very large numbers are deficient in one or more of these virtues, and where numbers not so large, it is true, but too large not to be painfully felt even by the well-conducted, are deficient in all of them ; and you have already reflected sufficiently upon these subjects to be able to tell me what are likely to be the symptoms of a lack of these virtues in any society ?

B. In proportion to the lack, every form of suffering consequent upon want of means to purchase the necessities and comforts of life.

P. How will it fare with that portion of society which is not afflicted with any lack of the industrial virtues ?

B. Their earnings, whether as professional men, skilled artizans, or superintendents of capital, will be large. The fortunate individuals in whom a concurrence of all these virtues in perfection is to be found will receive applications for their services far beyond what they can attend to, and unmeasured wealth may be showered upon them, although they must be disturbed in the enjoyment of it by the destitution and suffering in the society of which they are members.

P. How would the individuals of whom such a society is made up be distributed in the industrial ranks ?

B. There would be many excluded from these ranks altogether ; many more who would only be capable of filling the most subordinate situations, and of earning the most miserable wages ; and a smaller number, partly educated at great cost of time and money, and partly selected out of the ranks of labourers according to their pre-eminence in industrial virtues, to occupy the posts of professional men, administrators of capital, heads of departments, foremen and skilled labourers, who would receive large emoluments, whether as fees, participation in profits, salaries or wages.

P. And are you satisfied that a more co-operative spirit would not assist to soften down this painful contrast between the two extremes of a few destitute and a few rolling in wealth,

with the many between these two extremes, inclining sometimes to one side, sometimes to the other, chiefly absorbed in one pursuit—a painful struggle for existence?

B. Some powerful spell, some miraculous charm, some grand specific with which we are unacquainted, may be hidden under this vague and slippery term, "co-operative spirit." If a feeling of brotherly love, intelligently guided, be understood by it, we could not deny that by its agency all the evils consequent upon such a state of society might eventually be eradicated, and gradually diminished and mitigated while the work of eradication is progressing. But the principal work for brotherly love in combination with intelligence, in order to accomplish this desirable object, must be that of providing education adequate to raise up the industrial virtues and to keep down the antagonist vices. A co-operative spirit which, disregarding the prevalence of unfitness from bad habits or from other failings in the individuals offering themselves for employment, should attempt to put good and bad on a par—to invest them with equal power—to throw upon them a like load of responsibility—so far from bettering the condition of the ill-off, would tend to involve all in one common state of misery.

P. Would you insist that the possession of capital should be one of the qualifications to entitle a man to be admitted a principal or partner into any industrial concern?

B. We are far from thinking that there might not possibly be circumstances to justify the acceptance of industrial command by a man without capital, or to induce capitalists to appoint him to command, and to give him a share of the profit which he assisted to make. Close and intimate acquaintance with an individual who had no capital might convince capitalists that his want of capital was occasioned by no lack of the industrial virtues—that they had evidence in abundance to warrant their feeling no doubt of his ability both to produce wealth and to take care of it when produced. But individuals who have no capital, and yet have such qualifications, if

to be found at all, must be rare. We are not talking of the young and inexperienced, but of those who are mature in age, and might be mature in experience; and if they are not possessed of some capital, we should be surprised to find that they were well provided with the industrial virtues, and especially with that one so important in an administrator—economy.

P. We have learned enough of the results of combined or co-operative action to be desirous of seeing it not only persevered in, but resorted to more and more. We have, at the same time, been compelled to acknowledge that crowds of individuals exist in society altogether disqualified to be trusted with power in it, or to be allowed to take part in it except under orders and in subordinate posts. Is it surprising if co-operation should not be possible to a greater extent than it is now to be seen in action amidst our crowds of incompetent and half-competent people?

B. With a clear understanding of how co-operation is organized, we don't think that its existence and its rapid growth among us of late years, can be considered surprising. The difficulties, also, which have prevented, and are still preventing, its further extension are too plain to require pointing out. At the same time, all who are engaged in self-improvement, or in contributing to the better education of others, need have no fears as to the beneficial results which must follow from their efforts: larger gains and fewer failures from combined action or co-operative association, its more general adoption, and a more ready access to it; with larger wages, salaries, and fees to those who sell their labour and professional services. Looking forward to our own future careers, we cannot but feel that our own efforts, while earning such small wages as may be conceded to us at starting, must be to acquire industrial aptitude, to strengthen ourselves in good habits, and to establish a character for special proficiency, in one or more departments of industry. Perseverance in this course will enable any one of us, with those rare exceptions for which

special provision must always be made, to acquire the means of comfortable self-support in some one of the many industrial channels among which it is open to each to select employment adapted to his tastes and capacity.

P. A teacher of my acquaintance, now unfortunately no more, as devoted to his pupils as he was to the subjects which he taught, was accustomed to tell those who sometimes talked despondingly of their future prospects, owing to what they looked upon as their friendlessness and the difficulty of making an opening for themselves—"Make yourselves useful, and you'll be used." Might not that sentiment be also thus expressed—"Your services will be bought as soon as they are known to be worth buying"?

B. The real obstacle, we see clearly enough, to the attainment of individual or general well-being, is the absence of usefulness, the incapacity to offer services that deserve much purchase-money, or any at all. It almost amounts to trifling to urge the cultivation of a co-operative spirit which does not embrace imparting usefulness and capacity of service to men who are not possessed of them, and not to take note that, these being imparted, a more co-operative spirit would be the consequence, if desirable.

P. We shall do well to take note of the facilities which are afforded by the arrangements of society, such as they exist, to meet the wants of all, and to compare them with those which would be afforded by attempts to compress all into one or many grand schemes of co-operative partnership. What fate awaits the totally incompetent, as matters are now arranged among us?

B. They are maintained out of the earnings of the competent. Humanity commands that they should be cared for. Common sense directs that it is better for them and for society to exclude them from attempting to engage in work which they could only spoil or impede, and thus diminish the fund out of which they are to be maintained.

P. What fate awaits the partially incompetent?

B. They are received into the employment, and taken under the guidance, of others competent to direct their labour and guard against their incompetency, and to pay them wages or salaries. Their savings, also, if they have sense enough to make any, are taken care of and made to fructify, with or without risk to them, according as they choose to venture for participation in profit, or to rest satisfied with the smaller and safer income derivable from interest.

P. The lot of the more competent is, I suppose, plain enough?

B. Some incur the outlay and risk of preparing to enter the professions and compete for the great prizes which reward success. Others attain to great skill and proficiency in particular departments of industry, and are satisfied to continue in receipt of the high wages and salaries, some of which rival in magnitude the incomes of the most distinguished lawyers and physicians. Others, again, assume the direction not only of their own capitals, but of the capitals intrusted to them by others, and pay wages to the labourers whose services can be made available, and interest and annuities to capitalists whom it does not suit to incur risk or contribute time and labour.

P. You say that there is co-operation in all this work. If so, wherein does the co-operation recommended as something additional differ from that which you see?

B. Not only is there co-operation, but it is difficult to stir a step without stumbling against it. It differs from that other co-operation which is proposed to be superadded or substituted in this, that it admits the services of all of every shade of competency, and furnishes openings for the cultivation and growth of the producing powers of each, whether they be large or small. It excludes the incompetent from impeding or diminishing the production in which the competent are engaged; and aims at confining each competent man to that species of work and within the limits of responsibility for which he is fitted. Whereas co-operation beyond this means attempts at

combined action which disregards the fitness of the agents who are to take part in it.

P. How do you make good your assertion that there is co-operation in the professions, and in many branches of business which are, in appearance, at all events, the fairest examples of nought but individual action?

B. Simply by calling attention to what actually takes place where individuals are working in as complete isolation as we can possibly find them. The physician would be sadly troubled if the paper-maker did not co-operate with him to furnish a prescription to his patient, and the drug-merchant and chemist to provide the remedy prescribed. The surgeon could do but little without the co-operation of the miner, the smelter, and instrument-maker. The skilled artizan, or the working cobbler, or the tailor, unless greatly assisted by the co-operation of others to obtain the material on which, and the instruments with which, he works, and, lastly, the food and clothing necessary for his maintenance, would starve in his apparently independent isolation.

P. Am I to understand that after the best consideration which you have given to the case of the poorer classes of society, and to the suggestions which have been offered for improving their condition, you cannot trace any portion of their suffering to a want of co-operative spirit, nor hope for any mitigation of this suffering through a resort to co-operation on a larger scale than has yet been attempted?

B. The impression left upon us from all the facts which we have had an opportunity of observing, and from all the inferences which you have assisted us to draw out of them, is, that there is no proof of any disinclination to work up in co-operative or combined action all the material usable for the purpose. There are two drags upon the further advance or development of combined action: one is the want of material fit to be combined, that is, of individual action good enough to be turned to any profitable or useful purpose; the other is the want of range for administrative capacity to combine such individual

action as presents itself more extensively than it now does. This limitation of range imposed upon administrative capacity is being removed, little by little, with every advance in knowledge ; and the great industrial works of modern times indicate no backwardness in administrative capacity to combine the industrial elements within its reach—no deficiency in vigour to prevent its keeping pace with or following close upon each new step forward in knowledge. As for the obstacle to more extended co-operative action occasioned by individual vice or inaptitude for useful action of any kind, that can only be removed by removing the inaptitude when possible, and by attending to another work which is clearly possible, viz., the preventing a succession of generations as much afflicted as the present by the number of individuals not only unfit to be employed in any combination, but so incapable and so depraved as to require many most capable individuals to be drafted off for the special purpose of maintaining them, and of guarding against the damage which they might otherwise do both to themselves and to society.

P. Will it not be said, and with some appearance of truth, that the sight so common among us of wealthy masters and poor servants, of great capitalists and ill-paid labourers, is little creditable to us as a community, look at it from whatever point of view you please ? Can we but feel pity for the poorer classes and sympathize with those who reproach the rich for fattening on the leanness of the poor by whose labour they acquire their wealth ?

B. While we would not avert censure from capitalists for callousness to suffering, or for indifference to evils from which their workpeople are unable to escape except by their aid, we must not countenance the delusion, let the expressions by which it is concealed be ever so touching, that the riches of the rich are the cause of the poverty of the poor—that capitalists earn their capitals out of the bones and sinews of the labourers. The professional man whose services are sought by ten clients or patients for every one that he can

serve, and who is overworked by serving that one-tenth, acquires his wealth by his own labour, not by the labour of those whose services he buys so as to be able to do more of the work thus urgently pressed upon him. The young labourer who, by a long course of steady good conduct, first earns large wages by working for others, and then pays wages to others who work for him, earns his capital by his own labour and economy, not by the labour and economy of others, still less by the indolence and waste which steep them in poverty. It must be misuse of a figure of speech to say that the capitalists or associated capitalists upon whom is pressed the custody of others' savings because they inspire more confidence and give a larger income in the form of interest than could be obtained as readily elsewhere, extract their wealth out of their poorer depositors. They earn their incomes by giving incomes to, not by taking incomes from, others. The records of the lives of our successful men teem with examples of the truthfulness of these descriptions. We may regret that the wealth which they have left behind them has so often been wasted, or worse, upon those who inherited it; but we cannot rise from the perusal of their lives with the thought that their wealth was other than the fruit of their own exertions.

P. If the world be ever destined to behold the grand spectacle of good teaching and training universally diffused, will there continue to be the same scope for accumulating those enormous masses of wealth which have so often been the rewards of the successful men of the present and past generations?

B. We are inclined to think that, while much more wealth will be produced, and a larger store accumulated in proportion to the number of people to be maintained out of it, the quantities massed upon a few individuals will be smaller, although the average possessions of all will be larger than they now are. Continuing to hold, as heretofore, that wealth has a tendency to accumulate in the possession of the various individuals in society, according as they are possessed of the industrial virtues—largely where the most of these virtues are

to be found in combination and actively at work, and less in proportion as the industrial virtues are wanting—we cannot but expect that the general diffusion of an improved education will cause the industrial virtues to flourish more uniformly and wealth to be distributed, not equally among all, but in quantities sufficiently above *zero* for each, as to make us give up almost grudging the rich their riches while we pity the poverty of the poor.

P. You do not seem to participate in the sentiments of those who think that the contemplation of the wealth of our great proprietors and the wish to rival them in display are powerful stimulants to the industry and enterprise of others, and tend to keep alive that desire to rise in the world, to which it is thought we owe the production and accumulation of much of our wealth?

B. We confess that if, while the wealth in the world was increased, the possession of it were shared more generally, we should not regret the disappearance of those enormous masses of wealth accumulated in the possession of individuals. In a state of society so improved, the diminished wealth of the wealthier proprietors would yield more enjoyment than they derived from their greater previous wealth; and the increased wealth of the poorer members of society, and the increased well-being consequent upon it, would act as more potent and more wholesome stimulants to preserve that state of well-being unimpaired than any contemplation of the wealth and luxuries of others not shared by themselves.

P. Young people who are endeavouring, as you are, to learn the rules of conduct which it will be good for them to observe, must be prepared to find, among the many who concur with them, some who dissent from the rules to which they have yielded their judgment after the most careful study and observation. It will be your destiny to find many besides who cannot be said either to concur or differ with you, since they do not rise to the dignity of guiding their conduct by reflection, or by any systematic rules whatever, following simply, by blind

habit, the impulse given to them through the age and country in which they happen to have been born. Whether the conduct of these latter deviate or not from the rules adopted by yourselves could have but little effect either in shaking or confirming your confidence in your own judgments. Nevertheless, it may be a satisfaction to note how much nearer to good sense is the conduct practised by mere force of habit now than that which was practised formerly. But as regards the rules at variance with your own which are adopted by people who have risen to the dignity of thinking that some rules of conduct ought to be formed and observed, the state of contradiction and mutual antagonism in which they stand to one another would of itself prevent your exchanging your conclusions for theirs, even if disposed to suspect the soundness of your own. Reasons hitherto unknown to you, which overpowered or subverted those on which your conclusions had been formed, could be your only inducements for abandoning them. All the rules of conduct that you have arrived at, and the reasons by which you justify them, are, I have no doubt, quite at your command whenever the occasion shall call for their production. Contrast them with those which justify combinations and strikes of workmen against employers; exclusion of workmen from employment and wages by other workmen; resistance to the introduction of machinery and of contrivances in general for making labour more productive; complaints against the rich, not because they spend and consume profusely, but because they make additions to capital; a hankering after participation in the profit of others instead of earning a title to one's own profit by the saving of capital; pressure to obtain admittance to partnership without regard to character, instead of forming characters which will cause those who possess them to be courted as partners where partnership is the best mode of executing work; complaints and denunciations of prices and rates of interest, sometimes because they are too high, at others because they are too low; and of the oppressiveness of taxes, as well as of the laxity of Government for neglecting to

undertake work better left to individuals, and the undertaking of which by Government would necessitate an increase of taxes. Having done this, proceed to contrast the two kinds of education likely to prevail according as men share your convictions, or suffer under the prejudices opposed to them, or grovel in the absence of any convictions whatever.

ON CERTAINTIES AND PROBABILITIES.



P. It is quite impossible that you should not be deeply impressed, even from the cursory inspection which you have as yet been able to make of social phenomena, with the remarkable changes which have taken place in the methods adopted by successive generations of men for securing their well-being. Our wants may be said to be very similar to those of our forefathers from the remotest periods. We hanker, as they did, for gratifications of our senses, for health, strength, freedom from pain, pleasing objects to contemplate, and for pleasing trains of thought, among which must be specially present a sense of security. It has been clearly established, as it has long been felt, that abundant stores of wealth are among the requisites for satisfying these wants. But what prodigious changes have taken place in our thoughts concerning the forms which this wealth should assume, and the methods which should be adopted for its production! Nevertheless, altered as are the forms assumed by wealth in modern as compared with former times, the same collective terms, such as food, clothing, fuel, and shelter, serve to designate the various articles of which it is composed. It may also be noted that the more ordinary and indispensable articles required to supply our wants have been at all epochs, and continue to be, lamentably deficient, if compared with the number of people whose wants they are meant to supply. I need not go over the succession of changes that have been introduced from time to time in our methods of production. The more striking of them are well known to

you. The immense increase in the quantity of our wealth, insufficient as that increase is to supply the wants of our increased numbers, and the improvements in its quality, are manifest to everybody who has any acquaintance, however slight, with the past and the present. Much useful instruction may be gathered by devoting some little time to the consideration, not only of the effects of the numerous changes that have been adopted in methods of production, but of the kind of feeling with which they have heretofore been received, and of the welcome nowadays given to them. Looking, first, at the whole of our chief means of production as now in operation, would it, think you, be desirable to abandon any of them ?

B. To abandon any of those productively at work, unless to substitute others more productive in their place, would be to divest ourselves of a portion of our capabilities of replacing what we consume. The folly of such a proceeding may be strikingly exemplified by asking what the consequences would be of abandoning, not merely a part, but the whole of our chief means of production ; and the answer we take it must be that our means of replacing wealth would not keep pace with our rate of consumption, until, indeed, an accelerated rate of deaths reduced the number of people within the limits of the means of subsistence afforded by the diminished store of wealth.

P. While you and all sensible people take this view of the fatal consequences that would follow upon an abandonment of our more powerful agents of production, are there not many, whom we must admit not to be sensible, who do not take this view ? With what feelings was the first appearance of most of these agents welcomed in the world ?

B. The most ignorant and prejudiced people would not, we fancy, be desirous of parting with any of those agents of production which they have long been accustomed to see in operation. From the spade and the plough up to the latest applications of steam and magnetic power, no hand would be raised up in support of a proposal to relinquish any of them. The benefits derived from their use are so obvious and familiar

that the means by which the benefits are procured cannot but be perceived and clung to. But we think it must be admitted that the inventors and workers of them encountered at their first introduction violent opposition and bitter hostility from the workmen who were likely to be disturbed in their less efficient methods of working. Most of them did not like, or were not able, to adapt themselves to the new contrivances by whose aid labour was destined to produce more than before.

P. Was the resistance of these workmen ever successful; and if so, what advantages did they derive from their success?

B. Successful resistance can only mean the effectual prevention of the introduction of any new arrangement or method which might call for the services of men with different attainments and aptitudes, or which required from men already employed the adaptation of their services to the new demand made upon them. Partial success might mean the banishment of a branch of business from the town in which the adoption of improvements was prevented to other towns where it was not. Success still more partial might mean a prolonged struggle between some men continuing to work at lower wages and profits under their former arrangements, and others earning higher wages and profits under the improved arrangements. The enjoyment derivable from the higher wages and profits would necessarily be much disturbed by the irritation, hostility, and privations of those who could only hold out under the inferior method of production by submitting to reduced wages and profits.

P. Looking back upon the additions made to our producing powers through a long succession of advances in knowledge, and better applications of it, we see clearly that to have prevented any of these would be to have deprived ourselves of much of the means of well-being which we now enjoy. May we not feel quite confident that the prevention of future additions must deprive us of opportunities of increasing those means of well-being in which we are confessedly deficient?

B. That is our feeling.

P. Is it part of the inevitable destiny to which men must be resigned, either to put up with all the discomforts inseparable from any present state of limited capacity, or to subject some of their fellows to special discomfort from attempts to enlarge the limits of capacity?

B. We would not assume that to be an inevitable destiny which future advances in intelligence and conduct may show to be preventable.

P. You would, I think, find it difficult to cite any instances of the introduction of improved methods of production unaccompanied by privation and inconvenience to some members of society. Do you expect that like privation and inconvenience will not accompany the introduction of future improved methods, or that the individuals exposed to suffering will not do their utmost to ward off from themselves the causes of suffering?

B. Our expectations are, that the privation and inconvenience to individuals, arising out of that which brings accession of wealth and well-being to society at large, may be greatly diminished, if not altogether prevented, through more intelligent conduct, and that at all events, individuals may be brought to desist from aggravating, as they have so often done, the suffering which they are unable to escape.

P. Can you explain how it may be hoped ever to guard individuals against the privation and inconvenience likely to be brought upon them by the introduction of improved methods of production which they are not qualified to take part in?

B. It appears to us, that when the work of education is so conducted as to impart to all a clear conception of the conditions on which wealth and well-being are attainable, among which will be readiness to look out for, to appreciate, and to adopt each advance of knowledge as fast as it is placed at our disposal, people will cease to think of attempting to shut out improvements. They who are conscious of the capacity to adapt themselves to the new requirements will quit the old

methods at once; and some of those who have not that capacity will shift to some more promising business, while the smaller number alone will linger at the old work, which cannot be abandoned entirely until the improved contrivances have been introduced so generally as to supply all the demands made upon them. Industrial recruits, meanwhile, would cease to enlist in works about to be shortly discontinued.

P. Might there not be some, especially of the elder workmen, who would be incapable either of adapting themselves to new improvements, or of shifting to other employment, who would be left without work and without wages?

B. Liability to be left without work and wages is one which all are exposed to, and ought to provide against, whether alterations be or be not introduced into the methods of conducting the work on which they are engaged. It is one which men who have received the kind of instruction imparted here will be sensitively alive to, and will make it one of their leading thoughts through life to prepare for by saving. Economy must be the main reliance of everybody who would secure an income whereon to subsist when incapacitated by the gradually increasing feebleness of old age from continuing the work of youth, or from engaging in new work.

P. There is no denying that the course of life, from its commencement down to its very close is beset with dangers, difficulties, and uncertainties. But is it humane and desirable to force the knowledge of these upon children, and run the risk of embittering the years of childhood and youth by the anticipation of the trials and struggles which await manhood and old age?

B. We are not conscious that our lives are embittered by any of the knowledge that we possess. It appears to us that no more than a limited amount of enjoyment is possible. It also appears to us that the enjoyment accessible to mankind, limited as it is, has not yet been attained to, on account of ignorance and mistaken conduct. To keep the young in ignorance, and thus to prevent their acting wisely, would be much

more inhuman than judicious efforts for their instruction and guidance. It is well that the young, from the earliest years, should be accustomed to look forward with calmness to the inevitable occurrences of life ; to its certainties and uncertainties ; to its possibilities and probabilities ; and to be prepared for the disappointments, pains, and sorrows which can be entirely escaped by nobody.

P. You do not agree with those who consider that subjects of such gravity, and demanding so much thought, should be deferred for riper years.

B. We doubt whether they ever have been or can be deferred. The pleasures and pains of life force themselves upon the attention of children as well as of men ; and the choice offered to their guardians and instructors is between assisting them to a right understanding and estimate of what they see and feel, and leaving them exposed to the risk of misinterpreting their impressions and making fallacious estimates of their probable future. They who adopt the alternative of assisting the young will be careful to accompany their instruction with treatment inducing to self-discipline or to self-imposed efforts to learn and strive to acquire the ability of exercising that power of control over their future destiny which young people well instructed are conscious may be acquired.

P. With all our efforts to secure well-being for ourselves, and to become qualified and disposed to make ourselves useful to others, can we feel confident that our efforts will be successful ?

B. We cannot. Indeed, we are told that there is nothing certain in this world, although it has been laughingly added, except death and taxes.

P. People who are fond of trifling with serious inquiries and of looking for truth and wisdom in what they are pleased to call "proverbial philosophy," might remark upon this addition laughingly made, that "many a true word has been spoken in jest." But let us try and give expression to what is passing in our thoughts, when we talk of certainty and uncertainty,

probability and improbability, possibility and impossibility. Jestings and proverbial philosophy aside, let me ask, would you hesitate to admit that you feel certain of many things besides death and taxes?

B. We would not, We do not hesitate to say that we are certain we are alive, that we see, and hear, and feel, and smell, and taste, and think, and are conscious of many of the past events of our lives.

P. Would you speak with equal confidence of objects around you, and of objects not present, but of which you have a perfect recollection?

B. We feel no hesitation in saying that there is a roof over our heads which shelters us from the rain now pouring outside, that you are standing before us, that there are forms to sit upon, and desks to write upon, and books, slates, and paper, pens, ink, and pencils ready for use, and that the walls are covered with diagrams, maps, and drawings; also, that there was a bed which we slept in last night, water which we washed in, a window which we opened, and a loaf which we ate of before we came here this morning.

P. Can you tell me that you feel certain of anything in the future as confidently as you have told me of the past and the present?

B. We might begin by saying that we are certain of death and taxation, meaning by the latter some contrivance for collecting wealth for government purposes. We are certain that the sun will rise to-morrow, that the seasons will succeed one another as heretofore, that neither animal life nor combustion can be sustained without oxygen, that food, clothing, and shelter are indispensable to our existence, that these indispensables are only procurable in abundance by labour intelligently and skilfully directed, and that industry, intelligence, and skill will not flourish in adult age, unless the foundations of them be laid in childhood and youth.

P. Are your feelings of certainty in regard to the future really as strong as they are in regard to the past and present?

B. Not as regards the whole future; but, as regards the portions of the future from which our examples were drawn, we are inclined to say that we feel quite as confident.

P. If I could show good grounds for expecting that the rate of rotation of the earth would at some future time be quickened or slackened; that the obliquity of its axis to its orbit would be increased or diminished; that some hitherto undiscovered element or chemical combination would sustain life and combustion, and that life might be indefinitely prolonged, thereby introducing at the same time new varieties in the growth and order of habits and thoughts, would your feelings of certainty as to the future, continue in accordance with the examples which you have given?

B. They could not, of course. What we call our knowledge of the future is based upon the supposition that the succession of phenomena and the well-ascertained causes of them in the past will continue in the future.

P. Are you not qualifying somewhat your notions of certainty, when you talk of certainties based upon suppositions?

B. We have, perhaps, inadvertently used an inappropriate expression. Our feelings of certainty as regards the future may be said to be based upon an assumption, or an admission from which there is no escape, that most, if not all, of the phenomena or changes in the world, sometimes spoken of as the order of nature, will continue similar to what we and others have observed them to be.

P. And may it not be added that where the world and its phenomena appear to be different to what we had previously thought, the same knowledge which has produced the change in our thoughts has explained to us that the changes have been in man's capacity to observe and interpret, and not in the world or in the elements which compose it?

B. Yes, for it is not contended, because famines have diminished in frequency, because the state of health has improved, because the average duration of life has been lengthened, because the fertility of the soil has been in-

creased, and because communications between the different parts of the earth have been quickened, that our present world differs from the world of our forefathers in any other respect than in our better capacity to interpret it and to accommodate ourselves to its workings.

P. When we affirm that all those repetitions and recurrences which we class as the consequences of mechanical, chemical, electrical, and vital agencies will continue in the future as in the past and present, have we no other ground for what we affirm than assumption?

B. We cannot mention any other ground.

P. In building for the future upon this assumption, have we never reason to doubt or hesitate?

B. No other reason for hesitation than the fear, itself based upon experience, that we may be erring in our interpretation of the phenomena the recurrence of which we count upon.

P. The compilers of the *Nautical Almanac* do not hesitate to publish, some years in advance, the future positions of the heavenly bodies, and to describe those appearances which it will be peculiarly useful for navigators to be acquainted with. Would these compilers, if disposed to undertake the labour of computing the positions of the heavenly bodies a thousand or a million years hence, feel the same confidence in their prognostications?

B. We can imagine their having some lurking apprehensions that, in the course of so long a time, some agencies, hitherto unknown to them, might intervene to upset their calculations.

P. You have mentioned that those successions or recurrences which we have observed, and of which we expect the continuance, are sometimes spoken of and referred to as "the order of nature." Under whatever general name we think or speak of them, are we justified in characterizing them as "certainties"?

B. We cannot do without some word to distinguish them from other future occurrences which we call uncertainties.

The state of our convictions in regard to such future events as the succession of day and night, of the seasons, of the tides, of life and death, and of the pains of hunger, thirst, and cold, is not to be confounded with that in regard to vicissitudes of weather, of crops, of earthquakes, and of epidemics.

P. Does it occur to you that any important purposes are served by this classification of future phenomena and events into the certain and the uncertain?

B. Most important. Disregard of future certainties brings with it certain calamity. For example, existence would be impossible without wealth; and happy and comfortable existence without abundance of wealth. Future abundance of wealth, again, would be impossible without attention to the succession of the seasons, and to the influence of mechanical, chemical, and vital forces.

P. And do not calamities quite as dreadful occur from unexpected and uncertain events?

B. Quite as dreadful, perhaps, to the individuals on whom they fall. But falling, as they do, upon comparatively few individuals, and upon them but rarely, they are less fatal to society. Even when large numbers are stricken, the intervals of time between the calamities being long and uncertain, and the opportunities for recovery and the chance of escape being greater, society is less sensitive to them than it otherwise would be.

P. Again, has there never been any suffering from misinterpretation of phenomena, from making sure that future events will occur which will not occur? Have we no records of the mischiefs occasioned from taking measures which, contrary to the confident expectations of those who take them, produce results the very reverse of what they wish, and from neglecting to take measures which would lead to the gratification of their wishes?

B. There can be no doubt that we have only arrived at our present state of certainty in regard to the future through a succession of misinterpretations and of mistaken conduct

founded upon them. Legislators have made laws intended to promote well-being, and physicians have adopted treatment intended to cure their patients, which additional knowledge has shown to conduce to misery and death.

P. Where judgments are looked upon as erroneous, and the conduct founded upon them is seen to be misdirected, are there not epithets specially applied to the people who think and speak and act under their influence ?

B. Yes, they are spoken of as prejudiced, deluded, or superstitious, according to the form and direction taken by their errors of judgment.

P. Have there not, in former days, been many prognostications concerning the future relied upon as certainties, which are now classed among prejudices, delusions, or superstitions ; and are there not some who are still counting for certain upon what others hold to be superstitions ?

B. We must answer both these questions in the affirmative.

P. And is it not possible that some of our convictions in regard to the realities and certainties of the future may be looked upon as prejudices, delusions, or superstitions by the better instructed men to come after us ?

B. Quite possible.

P. How, then, in the face of these varieties and reversals of judgment, past, present, and expected, can you persist in looking forward to any future occurrences as certainties ?

B. The inference which we draw from the reversals of some judgments, concurrently with what we must be blind not to see—the confirmation by repeated experience of others, is that we ought to be diligent in ascertaining the kind of proof which will warrant our relying upon future events as certainties. And as we only can learn what future events are certain to occur by learning the causes which will produce them, we must avoid assuming the relation of cause and effect, as is so frequently done, not only without, but even against evidence, if there were but the intelligence to perceive it.

P. The progress of our knowledge has been in keeping

with your views. Men can now prognosticate a much larger number of future occurrences with certainty than they could formerly, and they are saved from placing a fallacious reliance upon future occurrences, where such reliance would cause them to work out their own misery, or to fall into it through inaction. The steadily increasing capacity of man to judge of the evidence requisite for prognosticating future occurrences, by ascertaining the causes which lead to them, is day by day adding to his knowledge of future certainties, and guarding him more and more against the danger of placing reliance upon future events which neither will nor can occur. He is also better able to recognise what he does not know as well as what he does know, what he never can learn as well as what he may hope to learn. Do you not think, as our legislators, educators, and physicians approach nearer and nearer to this temper of mind, that their efforts in behalf of society will become more effective ?

B. There can scarcely be a doubt that society will be better protected against the criminally disposed, that fewer children will grow up into bad and miserable men, and that diseases will be better guarded against, and when they do occur, be better treated.

P. Having led you into this digression on the grounds which justify our considering some future events as certain, to distinguish them from others which we admit to be uncertain or probable, or even improbable, I will now recall your attention to the different modes of preparing to meet certain and uncertain, probable and improbable, events. Among the certainties which we have spoken of is death. How do sensible people look forward to that ? Have they any thought of escaping it ?

B. They may have thoughts of deferring, but not of escaping it. While efforts to improve health and prolong life are considered rational and useful, the mere thought of escaping death would be looked upon as visionary.

P. Another certainty which you mentioned was, that life must be extinguished unless supported by a regular provision of food and other necessities. Is this certainty dealt with by man

in the same spirit that he deals with the other certainty, death?

B. Not exactly. He feels that he has but to resign himself to death as the certain close of earthly existence: whereas for the adequate supply of food and other necessities, it is not resignation, but well-directed thought and exertion that are required of him.

P. Another certainty of which men have by this time generally convinced themselves is that a store of wealth adequate to satisfy all reasonable wants is not to be had except by the exercise of what we have called the industrial virtues. What use has been made of the knowledge of this certainty?

B. To practise the virtues, and to enjoy the beneficial results as far as the virtues have been practised; although there is still much suffering from the dreadful evils consequent upon the disregard of them.

P. We have had occasion to consider certainty and uncertainty in juxtaposition—the need of access to wealth continuous and certain, the sources of supply intermittent and uncertain. What line of conduct has the consideration of this combination of certainty and uncertainty given rise to?

B. To the practice of economy, through which, out of irregular and uncertain crops a store may be maintained capable of yielding supplies regular and certain, or as nearly so as possible.

P. How has the certainty or uncertainty of maintaining an adequate store of wealth been affected by the general adoption of division of labour and of interchange?

B. There can be no doubt that the adoption of division of labour and its steadily progressive subdivision keeping pace with other improvements in production have not only increased our stores of wealth, but enabled us to rely with greater certainty upon the sources of supply whence withdrawals from these stores for daily consumption are to be replaced.

P. What you say of the larger store of wealth and the greater certainty of its maintenance through the adoption of

division of labour is incontrovertible : but, as regards the share of each individual, has not the continued adoption of improvement upon improvement, and of subdivision upon subdivision of labour introduced much more uncertainty than heretofore ?

B. If the store of wealth accumulated through our greater efficiency in producing be greater, and greater too in proportion to the number of people to be maintained out of it, there is fair ground for surmising that any uncertainty in the shares accruing to individuals must originate in some defective arrangements, or in the obvious disregard of some caution, contrivance, or exertion in the individuals whose shares are deficient either in quantity or certainty.

P. Your answer clearly implies that the cause of uncertainty as well as of insufficiency in the supply of wealth accessible to any individuals of a community in which production is on the whole well cared for, is to be sought in the character and conduct of the individuals suffering from that uncertainty and insufficiency. Is that what you really mean ?

B. We will not take credit for having actually intended to say what we cannot miss seeing, now that you have presented it so clearly to us. Let there be a community, as a whole ever so far advanced in its powers of producing and storing wealth, the individuals in it who are greatly below the average in power incur a risk from which others are free. The ignorant, the lazy, the unskilful, the dishonest, the drunken, the unruly, and the wasteful will suffer, so to speak, in the midst of plenty. But the suffering of these individuals from uncertainty and insufficiency in their supplies of wealth would be much more severe, if the producing powers of the mass of the community were inferior to what they are, since it is from their wealth alone that the sufferings of the incapable can be relieved.

P. Does it not appear that in proportion to the rapidity with which any community is advancing in powers of production, in replacing inferior with superior methods, will be the

danger to each individual of suffering from the uncertainty and insufficiency of the share of wealth obtainable by himself?

B. In a stagnant state of society, nobody can be inconvenienced by these uncertainties, which are a consequence of perpetually improving methods of production. But if that stagnant state be also a state of misery, there is no hope of amending it, except by exposing each individual to inconvenience from improvement, if he will not fit himself to use improvement when applicable to his own special line of work, or be prompt in shifting to some other line.

P. Among the arrangements for working capital which we have gone over, a very considerable share of our attention has been bestowed upon the use of credit. Seeing that bankruptcies, and losses, besides, which never obtain publicity, would be impossible without credit, must we not admit that uncertainties innumerable are introduced into industrial life through its medium?

B. We must, taking care, however, not to sever these uncertainties from a certainty which accompanies them—a certainty of good far outweighing the uncertainties of evil to which all are exposed whose efforts to share in the good are not wisely directed.

P. What is the certain good obtainable by the use of credit?

B. Immense increase of wealth caused by the facilities afforded, through the use of credit, for directing capital to the hands and places where it can be most profitably employed.

P. Do you think that this increased quantity of wealth is ever to be looked for unalloyed by the suffering to which individuals are exposed through failures in their attempts to get a share of the increase? And if you do, can you point out the means by which each individual's participation in the increase may be made as certain as the increase itself?

B. We should not be justified in expecting that unalloyed enjoyment from the increased wealth obtainable by the use of credit is readily to be had; since considerable intelligence, attention, and scrupulousness are necessary in order to derive

benefit from credit free from danger. And whatever our hopes may be of the growth of these virtues in the future, we know that they are sadly wanting in many who now use credit. Conditions are attached to the use of all powerful agents which cannot be disregarded without danger. Hence the uncertainties with which the attainment of good is chequered, as advances in the productiveness of labour are made one after another.

P. Does not this picture of yours give some sanction to the lamentations of those who seem to find much more to mourn than to rejoice over in the introduction and adoption of new powers of production? They say that the certainty of moderate enjoyment is displaced by uncertainty, which, admitting the enjoyment to be greater in some respects, reduces it in their estimation below the lesser and more certain.

B. If our picture could inspire such thoughts, we must have painted it badly. The tendency of every advance in producing power—of every improvement in the organization of labour—is to cause certainty to gain upon and displace uncertainty. Even where altered arrangements assume the form of derangement and introduce new elements of uncertainty, old elements of uncertainty are displaced.

P. Could you readily cite any facts or occurrences in corroboration of your doctrine that improvements in production not only add to the certainties of general well-being, but diminish the uncertainties which mar enjoyment, by depriving numerous individuals of anything worthy of the name of participation in it?

B. History teems with confirmations of the beneficial effects of the adoption of increased powers of production. The abundance of food, clothing, dwellings, fuel, furniture, and utensils, of appliances for safe and rapid communication, and for recreation and health, in modern as compared with former times, are clearly results of well-authenticated improved methods of applying labour. It would puzzle anybody to show that a larger proportion than heretofore or as large a

proportion of the community, was cut off from such participation in wealth as is indispensable for a decently comfortable existence. Our little experience and reading have impressed us with the conviction that the destitute and non-producing classes are better cared for out of our increased stores of wealth and the better application of them than they ever were in former days.

P. Admitting, as I think we must, that improved methods of producing have placed at man's disposal a greatly increased certainty of well-being, or, more properly, have greatly diminished the uncertainty of general well-being, do you attribute no part of the privation and suffering of individuals to the continual introduction of these improved methods?

B. If we have been right in the conclusions at which we have so far arrived, and in which you have allowed us to remain undisturbed, as if yourself considering them unshakable, we may say with confidence that we exonerate improved methods of production from being the causes either of individual or of general misery, as much as we do the well-known variations of the seasons. When individuals are not intelligent and painstaking enough to supply themselves with food, clothing, fuel, and shelter for the winter months, their suffering and death are chargeable to their misconduct. And where their misconduct has been inherited, so to speak, through parental neglect, their suffering and premature death should be assigned to that cause. In like manner, if with man's improved methods of applying steam, air and water power, and electric and chemical agencies, accidents and suffering are greatly diminished, we must not be misled because accidents and suffering assume a new form, and make thereby a deeper impression upon our feelings at the time. Accidents on the railroad, the foundering of steam-ships, and explosions in chemical and gas works were unknown a century ago; but these accidents have taken the place of a much larger number of accidents in a form only to be read of in history. Moreover, it must not be forgotten that the larger number of accidents

from what we may call misuse of the agents of production, whether in the present or in former times, may always be traced to some of those industrial disqualifications or vices which we have over and over again contended may be greatly diminished, if not entirely got rid of, by an education better in quality and more generally diffused.

P. Are there not some casualties, some dangers and uncertainties attaching to particular works, businesses, and professions which cannot be guarded against, and which, therefore, require some special contrivances to be resorted to for the purpose of making them endurable? For example, acknowledging, as we do, the additional safeguard against scarcity afforded by drawing supplies from all the regions of the globe, can we fail to notice the sufferings, the uncertainties, and the anxieties to which shipowners and merchants are exposed from the dangers of the seas?

B. The loss and uncertainty to which any one merchant or shipowner is exposed while engaged in a work which contributes to certainty and security of well-being for all, are guarded against by special precautions. Where they combine in considerable numbers, and the ventures are numerous, they reckon upon a certain proportion of losses or casualties, and by making provision for them reduce uncertainties to a certainty. Shipowners who own only one or a few ships, and merchants whose ventures are large in proportion to their means, insure them with companies organized specially to undertake the risk of losses which, although infrequent, would, when they occurred, be ruinous to the shipowner or merchant upon whom they might fall.

P. What is it that induces insurance companies to make themselves responsible for those large and infrequent losses, and thus to relieve merchants and shipowners from a load of uncertainty and anxiety which would deter the more prudent of them from engaging in their business, or at all events, from conducting it as vigorously and successfully as they do?

B. That which induces capitalists to undertake any other

business—the hope of profit. The merchant or shipowner who applies to them to be relieved from the losses to which he is exposed from perils of the sea has to pay a consideration or premium of so much per cent., according to the nature of the risk proposed. The magnitude of this premium may be matter of negotiation. Generally, the premium for most risks is pretty well known beforehand. Premiums vary, according to the estimate of the danger, from one-tenth to ten or even twenty per cent., the latter class of risks being comparatively rare. The companies, if they manage their business successfully, are careful to ascertain that losses occur less frequently than one in a thousand when they charge a premium of one-tenth per cent., and less frequently than one in ten when they accept ten per cent.; and they are sure to be prevented from asking premiums known to be greatly in excess, in the aggregate, of the probable losses and their own office-expenses by the counter-offers of other companies plying for similar business.

P. Are not farmers, manufacturers, and wholesale and retail dealers exposed to special uncertainties and perils, although not to perils of the sea?

B. There is the risk of fire, from which no one can feel himself quite secure. Most prudent people seek protection by insurance. And the stamp-duty upon fire-insurance is one of the ugliest blots yet unremoved from our system of taxation, being larger in amount than the premium charged by the insurance companies on that class of property, the insurance of which ought to be particularly desired by the legislature.

P. You alluded a short time ago to the certainty of death. Is it not necessary in conducting industrial works to take into account the uncertainty of life?

B. Most necessary. Almost all our larger works are made, as nearly as possible, independent of the lives of particular individuals. It is arranged that the capitals embarked in them shall not be withdrawn. In case of the death or bankruptcy, or the wish to retire, of any proprietor of capital in them, one or more persons must be substituted in his place, whether by

who apply for insurance. You understand, of course, why insurance companies are compelled to reject very hazardous lives, or to ask premiums upon them proportioned to the extra risk?

B. They must either protect themselves in one of these ways against loss, or else raise their premiums on ordinary lives. But since general applicants for insurance would not submit to this extra charge, they are driven to act as they do.

P. Uncertain as life is in some respects, there must be some certainty that is reducible to calculation, otherwise insurance and the profit of those who undertake it would be impossible. What is this certainty?

B. If we are not mistaken, this is the certainty which has been arrived at: a sufficiently large number of lives being taken, rejecting those which assurance companies will not take, the average duration of life from a certain age is found to be a certain number of years. Individuals die within, and others live beyond, that number; some greatly within, and some greatly beyond that number.

P. And how will you describe the uncertainty?

B. The uncertainty is, which of the whole number of lives will be brought to an early close, and which protracted to an extraordinary length. If there were no such uncertainty, they who knew that they were to live long would have no occasion to insure, and would save their premiums, and they who knew that they were to die early would, supposing them to be conscientious, enter into no engagements for the due performance of which life prolonged beyond the limit assigned to them is indispensable.

P. Has any classification been attempted of the degrees of uncertainty attached to various lives?

B. All the details of insurance business are based upon classification—rather the classification of the probabilities than of the uncertainties of life. Take the several ages of twenty, thirty, and forty. The individual who wishes, at any one of these ages, to insure his life might learn from the premium

asked of him the average duration of insurable life at his age. This average being calculated upon as certain, gives the probable length of life of each individual, which of course diminishes with advancing years.

P. Would it be correct to say that the actuaries of the life assurance offices have reduced the probabilities of the duration of life, subject to the precautions which they take, to a certainty?

B. Putting it as you do, the expression might sound strange. But understanding by probabilities the classification of the different degrees of certainty in uncertainties, we do not see why the classification, if correct, should not be called certain, although it be the classification of uncertainties.

P. At our earlier meetings we bestowed some thought upon economy as a safeguard against casualties or calamities of greater or less uncertainty in their occurrence. Is not insurance a much more trusty safeguard than economy?

B. We cannot answer this question as you have shaped it. We even suspect that you are trying whether we have so far profited by your instruction as to perceive that a distinction cannot be drawn where there is no difference. Economy is not one thing and insurance another. Insurance is one of the forms in which the resources of economy may be used in a way likely to accomplish the very purpose for which economy in some form is indispensable.

P. I shall be glad to have a few examples illustrative of this position of yours.

B. A young lad starts in life determined to act upon the rules which we have learned and assented to here. He saves and, besides good wages, becomes possessed of a small nucleus of capital. He thinks of marriage; by which we mean he is preparing to take upon himself the duties of husband and parent, not recklessly but prudently. He reflects upon the probably sad position of his wife and young ones if he should be taken from them before he has had time to earn and save enough to keep them out of the reach of want. He then determines to apply some of the resources of his economy to

insure his life. But he could not insure his life, if he had not first saved wherewithal to pay the premium ; and moreover, the insurance would drop if he did not continue to save, so as to be able to pay his premium annually.

P. Is not life insurance also a great precaution, security and solace, where professional men or administrators of capital, who have risen to large earning powers, are under engagements for other people's capitals, or are called by affection and gratitude to make some return for the sacrifices of relatives and others who have helped to place them where they are ?

B. Very great indeed. Where large results depend upon the continued existence of such men, life insurance is an admirable auxiliary to enable economy to achieve more certainly all the good of which it is capable.

P. I have heard life insurance spoken of in terms which indicate a much higher estimate of its usefulness than you seem to have formed. Do you know of any better ways in which the resources derived from economy can be applied ?

B. That is the strangest question you have ever put to us. The wealth which we subsist upon, and the capital on which we depend for future subsistence, are derived from economy. Insurance would be unavailing as a security against many of the casualties which we have had under examination. It is one out of the many uses to which the resources obtained through economy may be applied. It is one of the numerous offspring of economy, not its only child. Without economy, a nation or a large aggregate of individuals could not be secure against famine and other fearful calamities ; although with economy, but without insurance, many individuals might fall victims to calamities which insurance shifts from the individuals who would be crushed by them to a large collective number by whom they are scarcely felt. A thousand individuals, for example, might jointly engage in hazardous undertakings, become responsible for borrowed capital, and assume the responsibilities of parents, which no one among them would be justified in doing singly without insurance.

P. You may find it desirable to follow out in greater detail, and to calculate with exactitude, the various degrees of probability which attach to many of the contingencies of life. You have learned enough to satisfy yourselves that, in looking forward to your own and the world's future, events are to be expected with different degrees of confidence, and that we need names whereby to give expression to our expectations. Some events we describe as certain, others as uncertain. There are many things which were uncertainties to our forefathers, but of which we feel certain. And year by year we find that our knowledge is penetrating the darkness of uncertainty and drawing additional certainties into the light. But it would be destructive of much of our well-being, if we did not prepare to meet the uncertainties of the future. We classify them into the more and less uncertain, at the extremes of which stand the improbable and the probable, with the various degrees of improbability between them. The qualities denoted by us as social virtues are what we must rely upon for so placing ourselves collectively as to secure a future of happiness, and insurance is a development from those qualities by which each individual may have secured to himself as nearly as possible a full participation in that happiness.

ON GOVERNMENT.

P. We have been endeavouring to ascertain for ourselves, throughout the whole of the course in which you have accompanied me, what we ought to do ; what rules of conduct most conduce to the general well-being of society ; what sentiments, dispositions and resolves we ought to cultivate and cherish as a means of securing the observance of these rules in our conduct, whenever the demand for action or self-restraint is made upon us. The inquiries and reflections which convince us of the rules of conduct that ought to be observed by ourselves also convince us that the same rules ought to be universally observed. The rules of conduct referred to have, in fact, been adopted in preference to rules of conduct which had been acted upon in former ages, and to the many other rules which we might have adopted, but which examination has led us to reject, because they seemed better adapted to promote the general well-being. If education were so good of its kind, and so universal, and our common nature so uniformly tractable, that the rules of conduct most conducive to the well-being of society were understood and observed by all, the well-being of society would seem to be provided for as far as human power could reach. It is, however, too well known, whether the cause be neglect and misdirection of treatment under the name of education, or the intractability of some natures, or the two together, that there are many individuals who do not, in their conduct, observe the rules indispensable for the general well-being. There is reason to believe that many more only keep

their conduct within the rules prescribed by compulsion from fear, rather than from cheerful acquiescence in those rules as being well adapted to promote the general well-being of the society to which they belong. If, for no other reason, government, or some power under whatever name it may be designated, is indispensable for the purpose of restraining, as far as possible, all those persons who refuse to keep their conduct within the prescribed limits, and also those who, but for its interference, might be tempted to overpass them. But then arises the question, How this power is to be provided, regulated, and directed? People's ideas, as well as their decisions exemplified in practice, have undergone many changes; the forms of government, and, still more, the proceedings under them, are very different to what they used to be, and the alterations still proposed in them are frequent subjects of discussion. You will, I am sure, be glad to put your thoughts together on these subjects, to examine them and add to them, and correct and re-arrange them, so as to be able, if called upon, to act well your parts in supporting those who have to administer the government, or even in performing some of the duties which pertain to government. Do you know to whom the powers of government are trusted at the present time in this country?

B. To the Queen, the Lords and the Commons conjointly.

P. Do the Houses of Lords and Commons possess any of this power after they have been prorogued; that is, when they are not sitting?

B. Not actually; they do virtually. Many of the taxes constituting a large portion of the supplies necessary for carrying on the government are only voted for one year, and the mutiny bill, which grants to the executive the allegiance of the army and navy, is only in force for one year till further renewed.

P. May we say, then, that the power of government is vested in Queen, Lords and Commons conjointly, but that the executive power, or the duty of administering the govern-

ment, is delegated to the Queen and the ministers, and others of her selection and appointment ?

B. Yes ; and to guard against any material conflict of purpose and action between these different powers of government, the executive cannot act ; or, as it is commonly expressed, the administration cannot be carried on for a longer period than a year without being subject to re-examination, and, if considered expedient, to revision.

P. If this country were ever again to be afflicted with a bad sovereign, might he not, during that short interval of time between the prorogation and re-assembling of parliament, do great mischief by using his power rather to oppress than to protect society ?

B. Even this danger, remote as we may hope it ever will be, is guarded against ; for no order of the Crown commands obedience by law unless it be countersigned by a responsible minister.

P. Understanding that the sovereign cannot command obedience unless his order be countersigned by a responsible minister, we must next learn to what superior authority it is that the minister is responsible.

B. The minister is bound to make all his acts conform to the law ; and the law is, of course, the expression of the will of the Crown, the Lords and the Commons. On some rare occasions, when parliament is not sitting, and ministers think it for the public good to overstep the precise limits of the law, immediately on the meeting of parliament they apply for an act of indemnity.

P. And are they not almost sure of obtaining that ?

B. They are ; proving thereby how careful ministers are not to exercise power beyond the law, except on emergencies, when their doing so will entitle them to thanks rather than rebukes from parliament ; to rewards and honours, not to impeachment and condemnation.

P. Does it occasionally happen that differences of opinion arise between the co-ordinate powers in the government as to

how the country ought to be governed in some particulars, and what changes ought to be introduced into our laws?

B. It does. Such differences, in fact, could hardly fail to arise. Many of the changes made in our laws of late years were preceded, not only by much discussion among the people at large, and in each house of parliament, but by protracted disagreement between the two houses.

P. When the Crown desires some act to be performed, or some law to be passed, which either of the houses of parliament disapproves, must not one succumb to the others?

B. They must come to an agreement, or the government of the country would have to be altered or abandoned. In reality, they agree to abide by the laws as they exist, and which they have been content to tolerate, if not to approve, up to the time, until a strong and general feeling is expressed that any proposed change or amendment ought to be assented to. But we do not think that so harsh an expression as "to succumb" can be appropriately used where all concerned, whatever may be the differences of opinion among them, are intent upon seeing the country governed conformably to the wishes of the best and most sensible people in it. We must not forget that the houses of legislature are made up of individuals of various experience and attachments, and of habits of thought, therefore, unequally impressionable by the evidence and arguments that may be adduced in favour of any innovation. They are most likely fair samples of others like themselves outside their walls. The members of the legislature, besides, in successive sessions are not identical with those in preceding sessions. Time for reflection, new modes of representing matters under discussion, and the light reflected by passing events, may, together, gain over many previously opposed to change, or lead its advocates to abandon what is seen to have been partially considered and ill-advised.

P. If, contrary to what might be expected, there should be reason to fear lest pertinacious resistance to change on one side and impatience of obstruction on the other might impart

a dangerous tone of vehémencc and irritation to the debates, are there any arrangements or contrivances by which a common agreement may be arrived at without any unseemly appearance of dictation from one power in the constitution over another ?

B. The chief security against dictation, or against violent dissatisfaction of any one branch of the legislature at the opposition of the others to its wishes, is the attachment generally felt by the public at large, and of which the members of the legislature form a part, to the institutions under which they live. Institutions which have been reputed good up to a certain time cannot of a sudden become intolerable to a thoughtful people, because some among them are beginning to discover flaws which, as they think, ought to be amended, while others are more alive to the excellence of what they have been accustomed to than to the supposed defects of which correction is demanded.

P. Making every allowance for the forbearance of those who are insisting upon improvements and reforms to which others are insensible, and for the probability that reforms suggested by some will eventually be acceded to by all when their merits have been discussed and established, must there not be some contrivances by which concord between the different branches of the legislature may be brought about and maintained ?

B. There must be ; in fact, there are, many. As an example of one : should the House of Commons by a very large majority dissent from the ministers of the Crown, the ministers may either resign and leave the Crown to choose other ministers who will not oppose the well-ascertained feelings of the House of Commons, or they may advise the Crown to dissolve the house and summon another whose leanings may be different.

P. A test of this kind will establish the harmony required. For ministers would resign as a matter of course if the new House of Commons should concur with the one that had been dissolved ; and if it dissented from the former house and con-

curred with the ministers, they would be able to continue in office and carry their measures, which, however, might undergo some modification—the result of the rigid investigation and repeated criticism to which they had been subjected in the meantime. But how would it be with the House of Lords if they were to continue in determined opposition to the Crown and House of Commons?

B. As the power of creating peers is vested in the Crown, there can be no difficulty, if the Crown were driven to extremity, in creating a number of new peers whose sentiments are known to coincide with those of the Crown and Commons, to restore harmony between the three branches of the legislature. But the necessity of resorting to such a measure is very unlikely to arise.

P. What makes you think that the necessity for a creation of peers to reproduce harmony in the legislature is an emergency seldom if ever to be expected?

B. Because the peers are sufficiently identified with the community, in spite of the varieties of opinions and wishes that may occasionally arise, to make one feel sure that they desire to see the country well governed; because their ranks are being perpetually strengthened by the accession of distinguished commoners who have done good service to the public and whose judgment must carry weight everywhere, and because it is almost impossible to conceive how the House of Lords could long be, with anything approaching to unanimity, of one opinion and the House of Commons of another.

P. Does it not happen, sometimes, when the House of Commons has made known its wishes, even for a long time, that there is a considerable minority in that house which dissents from the majority, and eventually grows into a majority, and reverses its decision?

B. It does; and that countenances the opinion that the House of Lords can never be so strongly opposed to the wishes of the community as that it should be required to desist from maintaining its own views, and from giving time and opportunity for re-consideration to the majority of the House of Commons.

P. The danger of any serious and lasting disagreement between the different branches of the legislature seems to you something very remote. You do not even apprehend that the resource of a creation of peers, in order to produce harmony, is ever likely to be availed of. A House of Lords at variance with a House of Commons, expressing its wishes only by a small or fluctuating majority, serves as a caution against adopting and acting upon views not generally concurred in. The inconvenience of a House of Lords persisting in opposition to the oft-declared and nearly unanimous opinions of the House of Commons need not be guarded against, because it is not to be feared. Are you quite confident, when the two houses have come to an agreement, and the Crown has acquiesced in their decisions, that satisfaction will also be given to the people for whose benefit the laws are supposed to be made?

B. Understanding that the House of Commons is composed of representatives of the people, we do not see how the laws can fail to give general satisfaction; for if they did not in any particular, the means of obtaining an alteration are at the people's command. They have but to choose representatives whose views coincide with their own.

P. Does not this imply that the power of deciding how the country is to be governed, what laws shall be maintained, modified, and repealed, what new laws shall be enacted, and what taxes shall be collected, is really vested in the people who nominate the members of parliament?

B. Perhaps it does, not forgetting the power of the House of Lords and of the ministers of the Crown to interpose sufficient time previous to actual adoption and application, so that bare majorities may grow towards unanimity, or die out by dint of further discussion, and of a clearer apprehension of matters in dispute.

P. Is it a matter of great concern, think you, who the people are that are appointed to choose representatives, or members of parliament?

B. It must be. For chiefly, if not wholly, in them is the

power of giving a tone and character to the government, or even in great emergencies, of determining its actual course.

P. The device of electing members of parliament, or of a representative assembly, whatever may be the name given to it, to influence, if not wholly to direct the government, is one of comparatively modern date. It has been generally adopted in the more thriving countries of the globe, and seems to be gaining ground in estimation, although there is much discussion going on as to who the electors ought to be, and how their powers ought to be exercised. You will be greatly assisted in your efforts to arrive at a satisfactory solution of the question, "Who ought to choose our members of parliament?" by first making sure of what is, and of what ought to be, the object of resorting to a system of representation at all.

B. Two purposes appear to us to be served by adopting a system of representation. The one is, that it makes known to the administrative and executive government the wishes of the governed; and the other, that it accustoms the people to take an active interest in the proceedings of government, and to watch the effects which they produce.

P. If these two purposes are so desirable, ought not the right of voting for members of parliament to be conferred, as nearly as possible, upon every individual in the community?

B. When we answer "yes" to the question, whether this right ought not to be conferred, as nearly as possible, upon every individual in the community, you will understand that we do not think that this right ought to be conferred upon children, paupers, and criminals, and others, who, from their ignorance and bad habits, are likely to make a bad use of it.

P. Would not your grounds for refusing a vote exclude from the body of electors the larger part of the people of every country with which you are acquainted?

B. We fear they would. And the largeness of the exclusion from the electoral lists on these grounds should prevent our being reconciled to the permanent narrowing of the limits of

the franchise, and stimulate us to instruct and raise the people, so as to remove all excuses for their exclusion.

P. Can you give me any idea of the plan or system on which the electoral body is formed in this country?

B. We have heard it said, that no plan or system is to be found in it. A freehold of 40s., or a tenancy of 50l. a-year, gives to the owner of it a vote for the county in which it is situated: and in the principal towns and cities, householders who pay an annual rent of 10l. and upwards, and certain people called liverymen, also have votes. But the votes are so distributed, that less than one-third of the voters return more than two-thirds of the members.

P. Has the system, or want of system, on which our House of Commons is constituted existed for a great length of time, or, like the constitutions of most other countries, is it a creation of late years?

B. We don't know that we can do better than adopt the expression, that the constitution under which we are governed has grown and not been made what it is. Till rather more than thirty years ago, the only material changes in it for more than two hundred years were the additions made to the Houses of Parliament by the introduction, first of the elective peers and representatives for Scotland, and then of those for Ireland, on the union of England and Wales with those kingdoms.

P. And what was the nature of the change thirty years ago, to which you allude?

B. Indefensible and inexplicable as our representative system is still considered by many people, even after the alterations made by what is known as the Reform Bill of 1832, before that time it had ceased to be endurable. The Reform Bill disfranchised many boroughs in which the voters were so few as to make it a farce to call the members elected by them representatives of the people, enlarged the boundaries of others, so as to add to the number of electors, deprived some of the smaller boroughs which had returned two members of the right of returning more than one, increased the number of repre-

representatives returnable by the more populous counties, and conferred a right of voting upon the inhabitants of the metropolitan districts and large towns which had grown up subsequently to the original apportionment of representatives to the several towns and their inhabitants.

P. What reasons are given for dissatisfaction with our electoral system, amended as it was by the Reform Bill?

B. The reasons are numerous, some applying to the principles on which the system is based, and others to the details in it.

P. I can readily understand that exception should be taken to many of its details, but what is the meaning of objections to the principle?

B. It is contended by many that every man has a natural right to a vote in the choice of representatives who are to make laws which he, in common with others, is forced to obey. They acquiesce, it is true, in the practice of withholding this right from all who have not reached years of discretion, or who are tainted with crime; and there are some who are willing also to disqualify women and paupers. We freely admit that we do not understand what is meant by a "natural right." They who claim this "natural right" for all mankind do not appear to have much hesitation in withdrawing, suspending, or qualifying it when they find it standing in the way of some principle, predilection, or convenience which they are less disposed to surrender.

P. Have we not had occasion to talk of "right" and "rights" ourselves more than once? Did you not attach some meaning to those terms, about which you felt you could have no misapprehension?

B. We have spoken of "rights of property," and then we meant a privilege conferred and guaranteed by the government, a corresponding obligation being imposed upon others to respect rights thus conferred.

P. But may not rights take their origin from some other power than that of government? Is not the word "right"

used with a much wider signification than that to which you limit it?

B. It may be. In fact it is. We have heard folks say that every man has a natural right to a share in the land of his birth. The meaning attached to the word "right" here, even with the assistance of the word "natural" prefixed, can only be that they who thus use it think that all persons ought to have some share of the land and perhaps a vote also.

P. If by "natural rights" were clearly understood rights which ought to be conferred, would you then object to the use of that term?

B. We should, because its use seems to bar, where it ought to invite, inquiry and examination. People who talk of a natural right to a vote or to a share of the land, or to means of subsistence, or to a fair day's wage for a fair day's labour, or to any one of a thousand other things, imply, if they do not directly affirm, that they are stating something which is beyond question. Whereas, what they assert under cover of that expression is generally very questionable, sometimes unattainable; and attempts to realize it could only cause great mischief, and fill society with confusion and uneasiness. They, on the other hand, who mean by "rights," privileges conferred by the governing power, are quite alive to the propriety of submitting for examination and re-examination all existing rights, in order to learn by the help of the new lights obtained from time to time which of them should be sustained as they are, which withdrawn or modified, and what new ones should be conferred; it being always borne in mind that every right conferred carries with it a corresponding obligation to be enforced.

P. Admitting the validity of your reasons for preferring to think and speak of rights as privileges which ought or ought not to be conferred, rather than as attributes inherent, inalienable, or natural, and not open to be discussed, we still have to learn what rights ought to be conferred and what to be withheld.

B. There is only one method by which such questions

those can be settled, and that is by trying to ascertain what rights will be best adapted to promote the general well-being.

P. Is there not a wide distinction to be observed between rights, as you explain them, conferred by the governing power, and rights, like the right to a vote, which, although we designate them by the same name, must be admitted to be somewhat different, since it is in virtue of them that the very governing power is constituted?

B. These two classes of rights have been distinguished—the first as “legal,” the second as “constitutional.” Practically, they rest upon the same basis. For although constitutional rights might be supposed to be antecedent to all law, as being the foundation of the government which confers legal rights, it is well known that the constitutional rights enjoyed in this country are not held to be unalterable by the government for the time being. And it is no abuse of language to say that the power which, at its pleasure, may confer, withdraw and withhold rights, actually confers those which subsist undisturbed. The Reform Bill of 1832 proves that constitutional rights were then held to be fit matters to be conferred and abrogated by government authority, and later discussions, with the disfranchisement of some boroughs and the enfranchisement of others, show that the same opinions continue to be held.

P. It assists us greatly in forming our judgments upon matters so important as all things pertaining to government are, to be spared the necessity of inquiring into the origin of the first constitutional rights. We might find them to be concessions wrung by the people, or by some of the more intelligent and courageous of them, from despotic power. Even to this day—witness late events in America, Austria, and Italy—constitutional rights are greatly at variance with public feelings, and governments have obstinately refused to make concessions. Resistance and a struggle are the only means of bringing about conformity between constitutional rights and the wishes

of people so circumstanced. Happily, in this country, we are raised above the necessity or even the thought of attempting to obtain constitutional rights except by appeals to the reasons of those who direct the government and make the laws. We live at an epoch and in a country where, as regards constitutional rights, we need only to inquire what rights ought to be conferred by government. If these prove to be the very constitutional rights which we do enjoy, our satisfaction with what we possess will be all the greater. If they show wherein our rights fall short of what they ought to be, we shall know what to ask for, and how to set about bringing others to agree in our conclusions and to unite with us in impressing them upon the legislature. Does it appear to you that the constitutional right of voting for a member of parliament is one to which much importance should be attached?

B. It cannot be otherwise. For, as we have seen, the character of the government must be determined by that of the members of parliament, and each voter among the constituents plays his part in deciding who are to become members.

P. I think I gather from your answers that you would not recommend that the right of voting for members of parliament should be conferred indiscriminately upon everybody?

B. We think that some attempt should be made to give a preponderating influence to the wisest and best conducted among the people. At the same time, no efforts ought to be spared in order that as few as possible should be excluded from the improving influences of the habit of watching and taking a part in the proceedings of government.

P. In comparing the two modes of attempting to distribute rights among a people, which appears to you best adapted for promoting the general well-being—that of assuming that there are rights antecedent to all government, whether they be called primeval, inalienable, or natural, or that of recognizing them to be creations of the governing power, itself a counterpart of *the will* of the people or of the more energetic portion of the people?

B. The latter, although either mode requires the exercise of caution and sagacity, whether to discover which of all proposed rights are really natural, or which really conducive to well-being. But by the latter mode, no obstacle stands in the way of inquiry for determining what rights will most conduce to the well-being of society, unless, indeed, it be the ignorance of the people, which, if not removed, might turn rights otherwise reasonable and desirable into instruments of mischief. In the case of constitutional rights, the welfare of society has to be looked for through the character and conduct of the government, which it is the main purpose of constitutional rights to produce in the greatest perfection; keeping in view, at the same time, the beneficial influence upon the people of the practice of watching and scanning the march of government, and of appointing the members who are to control it.

P. Not losing sight of the importance of using the elective franchise as a means of continuing and perfecting the political education of the people, all intelligent men must, I think, be of one mind as to the desirableness of trusting the powers of government as nearly as possible to the best and wisest in the land. Do you think it would be an easy matter to devise a plan by which the best and wisest shall be forthcoming to hold the reins of government? Or can you suggest how people should be chosen to select them for us?

B. We cannot pretend to suggest anything better than our system of representation, subject to the amendments that may be introduced into it from time to time, and that may appear needful to accommodate it to the further progress of society.

P. They who propose alterations in the way you indicate, and the teachers and writers who cultivate in those whom they hope to influence the disposition to listen to alterations so proposed, are often met by the objection that it would be imprudent to meddle with a system which has worked so well for us hitherto. Do you think such an objection undeserving of attention?

B. Certainly not, so far as to make us cautious not to

abandon that which we know to have been working well, till we are provided with a substitute warranted to work better. It might be shown, however, that a system of representation fitted for one state of society, and adhered to in another, for which it had ceased to be fitted, would be a sacrifice of the spirit to the letter.

P. Do you mean if the elective franchise were apportioned over a country somewhat in keeping with the wealth and population of its several parts, that a persistence in this apportionment, after a very great change had been wrought in the distribution of wealth and population, would be a sign of disregard, rather than of regard, for the intentions and purposes of those with whom the elective system originated?

B. That is exactly what we do mean. Adherence to principle is best shown by always adopting the best means, according to our lights, for accomplishing the purpose in hand. In the matter which we are now considering, the purpose is to bring together the representatives most competent to make good laws, and promote good government. If the arrangements best adapted for that purpose at one period cease to be so at another, new arrangements must be made. If the common road and horse power were adhered to now, under the notion that the ways of our fathers ought not to be departed from, a great blunder would be committed, since our fathers were as desirous of safe and rapid communication as we are, only they were unacquainted with the superior means for realizing their wishes latent in iron, steam, and electrical agency.

P. Would not appeals to you to respect the ways and precedents followed by your fathers induce you to hesitate a little before carrying out your own projects?

B. Such appeals would be quite unnecessary; nor do we suppose that they would be made by people capable of showing that we were mistaken; since any projects worthy of our attention would only be to carry out the very intentions of our *fathers* by means within our reach unknown to them. In

reality, our indisposition, not our disposition, to avail ourselves of these new means would show that we stood in need of appeals to our filial respect.

P. Do you see any objection so far to fall in with the views of those who profess the warmest attachment to the ways and institutions of your forefathers, as to avow a readiness and determination to co-operate in maintaining and preserving institutions as you received them, till improvements and substitutes can be introduced to accomplish more thoroughly what your forefathers intended ?

B. None whatever ; understanding of course that the intention of our forefathers was to promote the general well-being, even where the means subordinated to that were mistaken or unaided by the light acquired since their time. We cannot conceive how any rational person can refuse to assist in preserving the institutions under which he lives till it can be shown how they may be improved, since he must be aware of the well-being which they secure to him. Neither can we conceive how any rational person can decline to examine the improvements presented to him, since by so doing he would imply that we had attained to the "perfection of wisdom." The navigators and emigrants who first visited the southern hemisphere, wisely imitated their forefathers when they provided themselves with summer and winter clothing, but they would have imitated their forefathers foolishly had they worn the former in June, and the latter in December.

P. To return to our representative system, which, in the main, is what it was altered to in the year 1832. Are you aware that a short time ago there was a very general disposition to make some further modifications in it ; and that the intention so strongly expressed has since been, I will not say abandoned, but suspended, with an approach to unanimity quite as near as that by which additional reform was demanded ?

B. We are quite aware that there has been, to say the least, a great disinclination to press for changes which had been demanded with considerable vehemence. The faith of many

has been shaken in the beneficial results which they had made sure must follow from a large extension of the suffrage; and they are beginning to suspect that they must look elsewhere for the improvement which they think ought to be introduced into the government.

P. A state of suspense such as you describe, is favourable for considering the principles on which amendments of any kind should be attempted. There are two principles which I think we may build upon without further examination. The powers of government ought to be so controlled and directed as to secure their being used to promote, as much as the general intelligence will permit, the welfare of the people; and as one means for this purpose, pains should be taken to make sure that the powers of government will be supported by so much of the good-will and acquiescence of the people as to secure government action in harmony with what we call public opinion. Do you see any reason to question that some such system of representation as that upon which our House of Commons is elected, is well adapted for the purpose?

B. We do not, although we think the system is susceptible of considerable improvement. What puzzles us most is to find a justification for the regulation which assigns to a minority of those privileged to exercise the elective franchise the power of electing a large majority of the members of parliament. Is there not something very much like a shuffle in professing to adopt a system of representative government, and then to allow a small minority of the electors to elect a large majority of the representatives?

P. Would you not attach some weight to my justification of this apparent anomaly, if I could show that the minority exercising this power was comprised of a preponderating portion of the good and wise in the nation?

B. Well; that would shake us. The thought of your being able to do so never occurred to us. Can you really show anything of the kind?

P. I cannot, nor, as far I know, could anybody else. But

I wish you to be careful not to commit yourselves to any proposal for altering a system under which we have risen to what we are, until satisfied that the change proposed will secure our hold on what we have, as well as help us to something better. I freely admit that if our present distribution of parliamentary seats had been systematically planned, instead of having become what it is from the unlooked for expansion of wealth and population; while the re-distribution of seats has been resisted from dislike of change, there might be some suspicion of a juggle. But how it has arisen and continued is easily explained. And one impediment in the way of making a more satisfactory distribution is the fear, not unreasonable, of adopting other changes recommended in company with it. Independently of what is held to be the unfair distribution of seats in parliament, the mode in which a large portion of the population is excluded from the right of voting is strongly objected to: You can readily understand, when the right of voting is confined to freeholders and to tenants who pay considerable rents in counties, and to householders rated at 10*l*. and upwards in boroughs, why most of those who have no votes are shut out?

B. With the exception of a few rich men, who prefer to live as lodgers, it must be because they have little or no property.

P. Exactly; and hence the qualification of a voter is sometimes called a property qualification. It is this kind of qualification which is objected to by many people; and you may be acquainted with some of the substitutes which have been proposed for it?

B. There is universal suffrage and manhood suffrage, neither of which, however, when it comes to be closely examined, can be adopted in practice without modification. Then there is the proposal to confer a vote upon every payer of rates and direct taxes, and lastly, the extension of the franchise by simply lowering the property qualification and admitting a poorer class of voters.

P. It is the prospect of admitting a large number of poorer

voters which alarms holders of property, who are themselves accused by some of those who urge their claims for admission to the elective franchise of a wish to confine rights and privileges, and all other good things, to the richer classes. Do any of the modes which you have mentioned for extending the franchise attract your sympathy?

B. They attract our sympathy more than they satisfy our judgments. It appears to us that the question of electoral or parliamentary reform is looked at from a wrong point of view, and through a delusive medium. The purpose of representation being to obtain the government best qualified to do all the good for the people which they are capable of receiving, the purpose of an elective franchise is to secure the members of parliament best qualified to control and direct the government that can be obtained out of the whole community.

P. Do the apprehensions which are so frequently expressed of the insecurity to property likely to arise from an admission to the electoral franchise of the masses of the poor appear to you entirely groundless?

B. Greatly exaggerated, but not altogether groundless. The form which misdirection of thought, in regard to property, would be most likely to assume, is that of imposing taxes in proportion to the property possessed, rather than to the property consumed.

P. With these fears prevailing, whether exaggerated or not, you can scarcely be surprised that well-to-do people should resist all changes which included any attempt to widen the franchise, and plead earnestly for leaving well alone.

B. It behoves them, nevertheless, while intent upon preserving forms as they are, under the plea of "leaving well alone," to beware lest, by a gradual change of circumstances, the forms should become so ill fitted for their purpose, that, to retain them as they are, would be "to leave ill alone." Admitting that poor electors will, if uninstructed, be exposed to the temptation of underrating the importance of respecting the rights of property, it may be contended, in behalf of the

poor, that rich electors are exposed to the temptation of paying less attention than is becoming to the wants of the poor.

P. Do you think that there is as much reason to apprehend inattention to the wants of the poor in a House of Commons elected by the wealthier classes of the community as there is to apprehend disregard for the rights of the rich in a House of Commons elected by constituents the majority of whom are poor?

B. We may be mistaken, but we should say greater. Want of respect for property is a vice which we have so far outgrown that all fears of its infecting anything approaching to a majority of the people may be dismissed. It is to be hoped that, as a nation, we are outgrowing inattention to the claims of the poor, but we certainly have not yet outgrown it.

P. A short time ago you favoured the notion that pains ought to be taken to make the electoral scheme conduce to giving us as legislators the best and wisest in the land. Are you not now leaning to some scheme by which the right of returning members to parliament shall be confided to very large numbers, if not to the mass, of the people, whereby a majority in parliament might be the representatives or delegates of the poorer classes?

B. We admit the difficulty, and we do not pretend that we are able to solve it. We would wait to decide upon those subjects till we had gathered more experience. As schoolboys, we venture to answer as we do with the thought that we are only going through our exercise in search of wisdom under your drill. We do not know that the best and wisest representatives would be obtained by simply excluding the poorer classes from the elective franchise. The rich, as we behold them, have their prejudices and ignorance, as well as the poor, although the form of them is very different from that of the prejudices and ignorance of the poor.

P. Granting that both the rich and the poor, as we behold them in these our times, have each their characteristic prejudices, it does not follow that these prejudices are equally fatal to good government.

B. Although not equally fatal, they are both in the way of it, and ought if possible to be got rid of.

P. To judge whether any means are available for getting rid of one or both, or of making them neutralize each other, let us have some general description of the forms which they respectively assume, and of the kind of obstruction to good government which may be expected from them. And, first, as regards the prejudices and ignorance of the poor?

B. We should say that the prominent features in these were want of consideration for the claims of the future, a yearning for present indulgence, regardless, or, perhaps, unconscious, of its being at the sacrifice of future happiness, and an inability to make provision against future calamity a source of present enjoyment. The special work of legislation is to care for the future. As respects the raising of taxes, the tendency of good legislation is not to relieve the thriftless classes from all contribution to the expenses of government; the leaning of the poor is to throw the burden of them entirely upon the rich, among whom will be the thrifty. As respects suffering from indifferent wages, the tendency of good legislation is to act as if it were brought on by ignorance and bad habits, to legalize and defend freedom of contract, leaving wages to find their own level, and to provide other modes of solacing want and destitution; the tendency of the poor is to attribute their insufficient wages to the harshness or avarice of masters, whose capital, they say, enables them to keep their workpeople in subjection, and, occasionally, to the introduction of machinery and other modes of economizing labour; and they would influence legislators to curb the rapacity of capitalists, and uphold the claims of labour.

P. And how do the prejudices and ignorance of the rich act upon legislation?

B. In making them stop short of the good which the wiser members of society consider legislation to be capable of achieving. The very merits of the intelligence which they possess are disparaged by their conduct. They trace—and truly—

suffering from destitution to ignorance and bad habits. They refuse, and wisely enough, to throw the whole weight of taxation on the provident, and to interfere more with contracts than to investigate their legality, and to insist upon their being performed when in conformity with law. But with the exception of providing some refuge against the extremes of destitution, and of making charitable contributions, they live as if they considered poverty to be a "natural institution." Having traced poverty to its causes, they leave those causes to work out their evil effects unchecked. Their own pursuit of distinction, indulgence, and display, with no stint in expenditure to obtain them, seems to proceed meanwhile as though the wails and gaunt looks of the sufferers were far removed from their ears and eyes. Such prejudices and ignorance cannot fail to tinge legislation, and to produce apathy and sluggishness in devising measures for abating the ignorance and improvidence in which poverty mostly originates.

P. Have you any notion how the useful influence of each class may be brought to bear upon legislation, without introducing dangerous misdirection from the prejudices of the poor, or sluggish endurance of removable evils through torpidity of moral sense in the rich?

B. Our impression is, that a wide extension of the suffrage, which should bring the representatives of each class into close contact, might lead to a correction of the misdirected leanings of the poor, and to an awakening of the moral sense of the rich.

P. If your notion of a wide extension of the franchise do not imply universal or manhood suffrage, what mode of limiting the franchise is the one that you favour?

B. We incline to prefer some such simple plan as that of admitting to the elective franchise all householders, or all persons rated on the parish books. With few exceptions—so few as not to affect the general character of the electoral body—the very poorest alone would be excluded from the franchise.

P. This scheme for determining who shall and who shall not be admitted to the right of voting for members of parliament, has recommended itself to many persons because it is self-acting, simple, and cheap, and seems to secure a fair representation of public opinion. The persons excluded by this scheme from the muster-roll of electors, otherwise well fitted to take a part in choosing members of parliament, would not be numerous enough to make it worth while disturbing its simplicity in order to retain them. Practically, it would do little more than exclude the most incapable of the poor, and others quite incompetent to exercise a beneficial influence upon government or anything else. But, disguise it as we will, a scheme like this for conferring the right to vote partakes of the character of a property qualification.

B. That is undeniable: but it is so comprehensive that invidious exclusions can hardly be possible.

P. Nevertheless, there are persons who take umbrage at the mere suggestion of a property qualification. They reject the possession of wealth as a test for determining fitness for the performance of civic duties. A man, they say, may be poor, but he is "a man for a' that;" and the indignity of estimating him by his money or his wealth ought not to be put upon him. Do you not think that some deference ought to be paid to these pleas in behalf of men who, though poor, cherish their character, respectability, and self-respect as much as the richest in the land?

B. We can hardly think that you attach much weight to this objection, although you state it so seriously. Men afflicted with blindness or infirmity of sight must be excluded from posts which require quickness and sureness of eye, but they are "men for a' that." Men, also, afflicted with social vices and infirmities are not to be accepted for posts of trust, because when their disqualifications are seen to unfit them, foolish and weak friends persist in repeating that they are "men for a' that." Our duty and charitable feelings might urge us to care for them in a hospital, an asylum, or a prison, but not

to place ourselves under their care, or to invite them to undertake one of the most difficult of tasks, the framing of the laws, and the giving a tone to the government under which we are to live.

P. Am I right, then, in assuming that you do not object to accept the possession of property as a test for measuring how far men may be trusted to perform civic duties?

B. It is one thing to measure the merits of men by their money or wealth, exclusively of everything else, and another to recognize that destitution, or a want of wealth nearly approaching to it, affords a presumption that most men of mature years suffering therefrom will be found to be deficient in some of those qualities, the possessors of which alone are entitled to our confidence and esteem. Whether household suffrage be a judicious contrivance for securing the electoral body best fitted to choose a house of representatives to animate and control a government may be open to discussion. But it ought not to be rejected unconsidered, on the ground that it is a property qualification, and therefore invidious.

P. It has been proposed, as you may have heard, by some people to make knowledge—not property—the qualification of a voter. They contend that it is more becoming and less humiliating to judge of a man by his possessions within rather than by his possessions outside himself. The amount of knowledge required to entitle its possessor to a vote, it is acknowledged, must be fixed low in order not to exclude large numbers—little more than the ability to read, write, and cipher. Has not this test recommendations which are not to be found in the property-test? Is it not more dignified to measure a man by his knowledge than by his property—to exclude him from the exercise of civic rights because he is ignorant, rather than because he is poor?

B. We doubt whether the proposed knowledge-test will stand a rigid examination so well as the property-test, in the form of a rating or household qualification. To set up an opposition between possessions within and possessions without

is to raise a false issue. A man possessed of a little property may be ignorant in some respects, and yet have a knowledge of many matters essential to his own and others' well-being; while a so-called scholar, although able to read, write, and cipher, may be incapable of either earning or preserving property. Good conduct is to be found dissevered from technical attainments, desirable as they are in themselves; and technical attainments are to be found unaccompanied by good conduct. One of the signs of good conduct in adults is the possession of means for self-support. It is an outward and visible sign of the possession within—a possession which includes much more than mere knowledge. As a man may “smile, and smile, and be a villain,” so he may know, and know, and be a fool, a pauper, or a criminal.

P. If you do not carry away from this investigation any precise rules to guide you at the time when you may be summoned to take part in political duties, you will be prepared to admit the many impediments that stand in the way of establishing good government, and to put aside as worthless the many false issues which, under the plea of principle, are meant to bias your judgment.

B. We cannot but reflect deeply upon the thought suggested by you, that the government under which we have attained to our actual state of well-being, and which has permitted the great and rapid improvement in well-being observable of late years, is at least entitled to the regard which will prevent its being meddled with till some clearly ascertained occasion for change can be pointed out. The means by which well-being had formerly been sought, obtained, and preserved, may be shown, owing to the altered circumstances of society, to be no longer the best, or our increased knowledge and experience may have brought us acquainted with arrangements, contrivances, and methods heretofore unthought of. The habit of looking at government as a means of promoting well-being, and at a constitution, in which is included electoral rights, as a means of creating a government the best adapted for the purpose that

can be contrived, must be a great safeguard against wandering into wild speculations, and against mistaking sounds familiar to our ears for the exponents of principles to which our judgments ought to be surrendered without even a challenge.

P. The remarkable changes which have been made with much difficulty of late years in our laws, the reluctant abandonment of former principles and practices, and the controversies still raging in regard to the future course to be pursued, all countenance the suspicion that our government is scarcely competent to do all that is required of it. It would be in keeping with the conclusions towards which, if I am not mistaken, you have leaned, to expect that certain modifications in our constitution might impart to the government additional strength and influence to assist it in raising its legislation to a level with the better aspirations and wider requirements of a more enlightened and more sensitive public opinion. But would it be prudent in us to expect the improvements needful in our legislation from the action of government alone, even with a constitution strengthened by all the reforms that we can think of? Are not the causes of the misgovernment and mal-administration which still cling to us, to be sought rather in the materials with which the government is constructed than in the system of construction? In other words, do you feel confident that any skill in constitution-making could construct a government sensibly better than the one we have out of a people still so deplorably deficient in intelligence and good habits?

B. You draw us back to this at every turn. We readily repeat our admission that little good is to be expected from any reform which is not accompanied by the growth of intelligence and good habits. For these are the elements of which good government must be constituted; and these again will not abound without education well adapted to its purpose universally imparted. A constitution capable of setting good government in motion cannot be framed out of bad materials. Let good materials exist, and we might almost say that they will combine of themselves into the best form of constitution.

ON SELF-DISCIPLINE.



P. In looking back upon and thinking over the various subjects which we have examined and discussed together, do you think your attention has been called to many things which it would be wise to leave unconsidered in forming plans for a future course of life ?

B. We are not aware of anything. Our fear rather is that there are many more things yet unknown to us of which we cannot safely remain in ignorance.

P. That fear may be laid aside, if you do but feel confident in your own readiness to make the exertions necessary for mastering the further knowledge required for the satisfactory performance of the duties that await you. We have more than once admitted that the acquirements and experience possible at your age must necessarily be small compared with the acquirements and experience desirable for your guidance in life. How, then, I must ask, do you feel as regards confidence in your own readiness for future exertion ?

B. We dare not say that we feel confident, but we will say that we are hopeful, not only of being ready to make all desirable exertion for acquiring the knowledge and skill that will be needful for a thorough performance of all our duties, but of continuing anxious to use whatever knowledge and skill we may be masters of in a way to satisfy our own conscientious convictions.

P. And which do you consider the more important of your two possessions—the knowledge which you have got, or your aptitude for acquiring the knowledge which you want ?

B. The latter certainly, since the principal worth of the little knowledge which we have thus far acquired is that it will help us to acquire the additional knowledge without which we should scarcely be able to turn what we have to any useful account.

P. And which of two others of your possessions do you cherish the more warmly—the capacity for self-guidance of which you are conscious, or the resolute spirit which is to move you, not only to learn what you ought to do in all the ordinary occurrences and extraordinary emergencies of life, but to do what you have learned, and still have to learn, that you ought to do ?

B. Again, we answer the latter, since our capacity for self-guidance, sheltered as we have been by our parents, can be of little use except as the foundation upon which is to be built the higher capacity necessary to guide us safely through the struggles and temptations, and the disappointments and successes of life.

P. In the wish to acquire that higher capacity of which you speak, what would you fix upon as the leading thought which all people, the young in particular, ought to carry within themselves on all occasions ?

B. A consciousness of their desire to do what they know to be right.

P. Are there people who are not possessed of this consciousness ?

B. We fear, very many. Even in our small experience, we have come across people, of whom it would be no misrepresentation to say that they would scarcely understand us if we were to talk to them about right and wrong.

P. Do all people who possess this consciousness act in obedience to its dictates ?

B. Notoriously, they do not ; for otherwise we should not hear of such expressions as “ reproaches, qualms, pricks and stings of conscience.”

P. Is it desirable that people should feel stings of conscience when they have acted badly ?

B. Of that there can be no doubt. Our hopes that bad conduct will not be repeated, that amendment is probable, that an accidental yielding to temptation will not lead on to confirmed criminality, are based upon repentance, which is but another name for reproaches of conscience.

P. Does not conscience afford some security against the commission of a first fault, and against a relapse into evil courses after repentance, as well as against persistence in them?

B. It cannot do one without the other. Conscience not only reproaches for wrongs committed, but warns against wrongs contemplated. Leaving aside those who have never been awakened to a consciousness of the distinctions between right and wrong, and whose conduct is determined by little else than animal impulse, we find, among people, some who seem to prefer right to wrong on all occasions, and others who occasionally waver between them. With the first, conscience may be said to act habitually and insensibly. With the second, when wrong is contemplated, it may fortify and save from falling by its warnings, or reclaim the fallen by its reproaches.

P. Do we not find that reproaches or stings of conscience follow sometimes upon acts which are not really bad, although erroneously thought to be so?

B. Conscientious people are liable to err. Their consciences may omit to reproach them in strict accordance with the demerits of their conduct, and also reproach them for good conduct, reprehensible only because they believe it not to be good.

P. Can stings of conscience be ever entirely unmerited?

B. We incline to say no. Conscience may be inactive or torpid, but its stings can only be felt when people have done what they know or suspect to be wrong, or have left undone what they know or suspect they ought to have done.

P. When people, concerning whose conscientiousness there is no room for doubt, act, or endeavour to act, in opposition to the laws of the country in which they live, ought their consciences to be respected?

B. Their sincerity ought to be respected, but their conduct ought not to be approved, and must not be yielded to. We might, perhaps, say that their consciences may be respected, provided their acts be not permitted.

P. When people act, or show a disposition to act, or set themselves decidedly in opposition to the feelings and wishes of others in matters of which the law takes no cognizance, how are they generally received in society?

B. From sensible people they meet with the forbearance and consideration which are due to all who make it a duty to satisfy their own conscientious convictions. But should their conduct be unmannerly, repulsive and intolerable, intercourse with them will be avoided as with anything else that is offensive. By inconsiderate and silly people who differ from them without knowing why, they will be branded with some such epithet as eccentric, or bigot, or fanatic.

P. Are not bigotry and fanaticism names of very odious qualities? and are not the persons afflicted with those qualities disturbers of the peace—the veriest firebrands of society?

B. We have often heard the same individuals who are denounced by one set of people as bigots and fanatics, lauded to the skies by another as saints, or missionaries, or apostles.

P. Are there not people to whom the epithets bigots and fanatics are strictly applicable? Is it impossible to draw a distinction between a bigot and a saint?

B. It is not for us to say yea or nay to these questions. We cannot deny that earnestness and conscientiousness are qualities highly to be prized. If, then, we see an earnest and conscientious man pursuing a mistaken line of conduct, ought we not so to express ourselves as to indicate that in our opinion he is mistaken, and to avoid epithets which imply that we disapprove his earnestness and conscientiousness as well as his ignorance or infatuation?

P. Can we deny that many of the more notorious persons to whom the epithets “bigots” and “fanatics” have been applied

have done enormous mischief, occasioned most grievous suffering in the world?

B. We cannot. Neither can we deny that similar zeal, determination, and powers of endurance, well directed, have conferred upon the world some of its greatest blessings.

P. As you admit the evil deeds that have been perpetrated by so-called bigots, I suppose you will also admit that it is desirable to put a stop to them, if possible.

B. And we only know one means of doing it effectually, and that is by depriving them, not of their conscientiousness, but of their ignorance. We admit, of course, the necessity of restraining them when they would defy the law. But to blame the good and the bad in a man's character by one indiscriminating epithet, does not help to amend that which is bad, nor to strengthen what is good.

P. Is not the rectification of this disposition to go wrong a thing more to be desired than expected? Are not the hopes of an improved state of society which are based upon success in attempts at rectification very likely to end in disappointment?

B. We should say that they are, unless attempts to correct ignorance and infatuation be made a part only of more comprehensive attempts to amend disposition and conduct.

P. We have examined together much of the conduct that it is open to men to practise, and have settled to our satisfaction much of what it would be wise in them to prefer. We have also hit upon the line of inquiry which is likely to help us to the further information requisite for our safe guidance. Do you also feel satisfied that you know as well how the disposition to do what is right may be acquired, as how that which is right may be learned?

B. None but vain boasters would lay claim to that knowledge. Seeing the quantity of wrong-doing in the world, it would deprive us of much of the consolation which we may derive from attributing it to our ignorance, if the knowledge how to prevent it were in our possession unused.

P. We have dwelt sufficiently upon the wrong-doing which originates in ignorance—the unintentional wrong-doing. That, so far as it is preventible, can only be prevented by removing ignorance. Let us now fix our attention upon the disposition which urges us either to do or not to do the things which we know to be right, among which may be included the making the exertion necessary to remove our ignorance or correct our errors. I remember asking, when I first came among you, how it was that you were so much better disposed than many other boys notoriously are, both to do what you know to be right and to learn those things of which you still need to be informed for the purpose of doing right. And do you remember your answer?

B. We could only answer that we owed all that was good in our dispositions to the care which had been taken of us by our parents, not forgetting to drop a word of pity and regret for the sad destiny of those children who have not had the same advantages of parental care.

P. Start as we may, with or without the help and protection of good parents, a time must come for us all, when we shall be thrown upon ourselves and be called in our turn to undertake the care of the infants, the infirm and the incapable among us. The disposition to perform these duties towards ourselves and others does not, we have agreed, come of itself. Where, as with most of you, it does exist, will it abide with you for certain through life, or on what conditions? Where, as with neglected children, it does not exist, can it be brought to them? and how?

B. We will try and answer the easier question first. The good dispositions will not abide for certain. They require to be cultivated and maintained.

P. And on whom must this work devolve?

B. Each individual in society must undertake it for himself. There is no resource elsewhere.

P. What influence ought this conviction of yours that each individual is dependent upon himself for the maintenance and

strengthening of his disposition to act rightly, to exercise over him?

B. To make him watchful ever to act in obedience to the dictates of his own conscience, and, as a means of insuring success, to avoid placing himself in situations where he might be tempted beyond the strength that he could fairly make sure of,

P. Is not something more required of him? Have we not agreed that people may act badly, and yet be doing what they believe to be right?

B. We understood that we were to confine ourselves, for the present, to the consideration of those bad acts alone which were committed in opposition to the dictates of conscience.

P. And you understood rightly. But I think you will have no difficulty in perceiving that people, and the young in particular, may act unconscientiously in not exerting themselves to obtain the knowledge necessary for good self-guidance. For example, taking boys like yourselves, blessed with the intelligence to perceive that, in order to act rightly, they must know how to distinguish right from wrong, could it be said that they were acting conscientiously if they did not exert themselves to obtain the knowledge by which they might be able to draw that distinction?

B. It could not.

P. Then we must not countenance so fatal an error in the young as that of flattering themselves that they are conscientious when they are omitting to make any exertion demanded of them as a means of acquiring the knowledge which their instructors are anxious to help them to. It may be the lot of some of you to be thrown among workmen who are meditating a strike against their masters because they decline to raise their wages, or to diminish the number of hours of daily work without diminishing the day's wages, or among workmen who are disposed to resist the use by their masters of improved machinery. How are you to decide whether you ought to *unite* with them or not, or how you may best bring your

influence to bear in guiding yourselves and them aright, without knowledge? and what is to be thought of you, if you will not strive to gain the knowledge?

B. We should deserve to be condemned as unconscientious boys.

P. While careful to remember that the desire to obtain instruction is essential to conscientiousness in boys as intelligent as you happily are, will it be safe to give a literal interpretation to the words which assert that conscience is the inward monitor to certify to us when we have done wrong or are preparing to do wrong—to reproach us in the first case, or to threaten us in the second?

B. Important as it is to attend to the admonitions of conscience, the utmost that conscience can do is to admonish us when we are acting in obedience or in opposition to its dictates.

P. Do you conceive that any material difference is likely to be made in your conduct through your knowing that the power of conscience is thus limited?

B. This difference—that it will quicken our endeavours to gain that knowledge which, in combination with conscience, will assist us to do not only what we believe to be right, but what the most enlightened members of society also believe to be right.

P. As there is no disagreement between us in regard to the sense of duty which ought to be cultivated by each individual to attend to the dictates of his own conscience, and as we must also agree that nothing ought to be done to impair this sense of duty or to blunt the edge of conscience, I must tell you that there are people who contend that the mere intimation that conscience may be an unsafe guide, may lead us astray, is calculated to diminish its influence, and to sap the very foundations of morality.

B. To hold that doctrine is to affirm, either that some of the best men of former days were unconscientious, or that we, who are acting diametrically in opposition to them, are acting

badly. On what grounds the teaching that enlightenment and sensitiveness of conscience must go hand in hand to secure morality and progressive improvement can be objected to, is incomprehensible to us, it being admitted that neither ought to be uncared for. If it be true that conscience will lead astray, or guide aright, according as it is unaccompanied or accompanied by enlightenment, surely the knowledge of this truth will rather increase than diminish the influence of conscience; because it will inspire all conscientious men with the desire to obtain that enlightenment which will secure their acting conscientiously and wisely at the same time.

P. How would you state the duty which each individual owes to himself as the guardian and instructor of his own conscience?

B. We don't know how we can do better than say that it is incumbent upon each individual to keep guard upon himself, lest he be led to disregard the dictates of his conscience, and to be active in seeking that enlightenment which will, in conjunction with his conscience, guide his conduct aright.

P. As you have told me all that can be expected from you at your age, about the self-discipline on which you will have to rely for the maintenance and further development in yourselves of the sense of duty, and also of the inclination to seek your own happiness, by contributing, when possible, to the happiness of others, and, at all events, without damaging it, will you now try your hand at solving what you very properly call the more difficult question. How are young people who do not enter upon the work of life with feelings and sense of duty similar to your own to be inspired with them?

B. They must have the benefit of the right kind of teaching and training. We know of no other means of imparting intelligence and inspiring good sentiments.

P. And who is to confer this benefit upon them?

B. We suppose we are precluded from saying their parents, or even society, because their having been debarred from *education* so far implies that neither parents nor society are

to be counted upon for the performance of this duty by them.

P. And what ought society to expect from those who have been debarred from education ?

B. It ought to expect pollution. If, as we said before, the knowledge what to do, and the desire to do it, will not come of themselves, neglect of education must expose society to annoyance from those who suffer from it.

P. Do you mean that society is exposed to annoyance from all whose education is neglected ?

B. The term education is used far too loosely for us to mean or say that, without some qualification or explanation. Neither would what goes by the name of education justify our saying that all who receive it will abstain from inflicting evil upon society. We can only speak of the majority of the uneducated as we see them, in comparison with the majority of the educated, and pronounce that among them will be found most of the idle, ignorant, drunken, thriftless, and disorderly, and hence of those who live and prey upon the produce of other people's labour, besides wounding their feelings and disturbing their happiness in other ways.

P. And is there no escape from the perpetuation of such deplorable consequences of neglect of education ?

B. The only means of escape that we can suggest, is to awaken parents to a sense of the duty which they owe to their children ; or, if that cannot be achieved, the duty of parents must be assumed by society in behalf of the neglected children.

P. Is it likely that bad parents, who must have been neglected as children themselves, can ever be awakened to a sense of duty, or be made capable of performing their duty if awakened ?

B. We fear not, in most cases. Accordingly, it will only remain for society to take their duties upon itself.

P. When we fall back upon society for the performance of duties which ought to be discharged by each member in his

individual capacity, do we expect that each member will be brought to contribute to the collective undertaking ?

B. No. The ill-conducted, too frequently, neither will, nor can, contribute ; and the worst conducted are the cause of most of the annoyance and suffering with which society is afflicted, and against which it has to protect itself.

P. Are we not, then, forced into the conclusion—as we were when seeking for the supporters of government—that by the society upon which we have to rely for the education of neglected children, we can only mean its well-conducted members, and particularly the best and most intelligent among them ?

B. We certainly are.

P. And with rare exceptions, are not the best and most intelligent people those who were best cared for as children by their parents ?

B. To doubt this would be to give up all the conclusions to which our investigations have led us ; whereas the more we reflect, the stronger is our reliance upon them.

P. Is not your confidence a little shaken, your composure a little disturbed by the spectacle which meets your eyes every day, of numbers—not here and there an individual—but masses of children shut out from education, in spite of the many good and intelligent men who, one might think, could and would put a stop to this sad state of things, if so disposed ?

B. Not at all. We are rather surprised to hear you talk of good and intelligent men who, by your supposition, may not be disposed to make the exertion necessary for preserving children from vice and misery.

P. I rejoice to see you so sensitive to detect any desecration of the terms “good” and “intelligent.” I was using those terms to designate the comparatively good and intelligent in society, not those only who are possessed of the higher order of goodness and intelligence which you are contemplating. Adopting your amendment, I am still anxious to learn how you think it can ever be brought about that all men considered

good and intelligent shall be incapable of enduring the child-neglect which now disgraces society ?

B. When once the controllers of education adopt the idea that child-neglect, whether the neglect be chargeable against individual parents or against society, is incompatible with goodness and intelligence, this extension and improvement of the notions now prevalent concerning good and bad, right and wrong, may, we conceive, be as readily incorporated among moral convictions as others which the advancing civilization of society has shown to be desirable.

P. Can you adduce any arguments by which persons who do not share your convictions at present might be brought to expect that education can be so conducted as to train up men, not only good and intelligent, according to present notions, and striving after goodness and intelligence, as now interpreted, but holding that no man is to be accepted as good and intelligent who does not, in all his thoughts and acts, contend against child-neglect ?

B. We cannot be expected to produce arguments which will satisfy anybody who does not share our conviction, that children deprived of education will mostly grow up to be miserable men, objects of pity to those who are well off, and disturbers of the peace and happiness of society. Sharing in this conviction, we don't know why there need be any difficulty in their sharing our hopefulness that future educators may so do their work as to lead successive generations striving for intelligence and goodness to look upon care for childhood as an essential element in goodness, the neglect of childhood an unmistakable evidence of iniquity.

P. Our discussion has brought us to this point. Men reputed to be good and intelligent justify by their conduct, if not by their words, the toleration of a large extent of child-neglect, in the society of which they are influential members. You think that by a better directed education such a change may be wrought in future generations as that no good man's conscience will suffer him to be at ease unless he can feel that he has done

and is doing his utmost to put a stop to a state of things fraught with such dreadful consequences. Can you point to any similar revolution of moral sentiments that has ever occurred? Your ability to do that would go far to remove the incredulity of some who look upon any material diminution of human ignorance, superstition, and misery, rather as a vision of wild romance than as a prevision of sober judgment.

B. We must not expect that wonders achievable will be placed on a par with wonders actually achieved, although the gifted men who pleaded and toiled for the latter were met with the same vehement opposition, the same scornful inattention, the same supercilious indifference, which now try the patience and determination of those who would banish child-neglect from our land. History teems with examples of moral revolutions quite as great as that which you are aiding to accomplish, from the discontinuance of human sacrifices to propitiate the gods down to the emancipation of the slaves, without whom, it was said, our colonies could not be cultivated, and to the removal of the commercial restrictions upon which our national greatness was thought to be based.

P. After such reversals of moral judgments, and such changes of conduct, followed as they have been by the most beneficial effects, he must be an empty thoughtless creature who would try to thwart attempts to remove one of the foulest blots still disfiguring society, by insisting that an evil to which he has become callous must be irremediable. Turning a deaf ear to such babblers, the obstacles in the way of the moral revolution which we are contemplating are formidable enough to demand all our efforts. How do you think exhortations to put a stop to child-neglect would be listened to by that numerous class of decorously conducted and sumptuously faring people, who seem to be contentedly basking in a sunshine from which crowds of their fellow-creatures are excluded?

B. Not in a very kindly spirit, we fear.

P. If you could succeed in disturbing their peaceful enjoyment by raising scruples of conscience within them, might you

not embitter their happiness, and yet fail to soften the lot of others? and would not that be a diminution of the general happiness?

B. As a mere arithmetical problem, it cannot be denied that if you subtract happiness from one portion of society without adding any to another, the sum total for all must be diminished. What we have to decide is, first, whether child-neglect ought to be put an end to, as well as other kinds of neglect which generate pestilences less fatal, and second, whether conscience ought not to make everybody uneasy who is guilty of it in himself or who connives at it in others. Our decision is that child-neglect ought to be put an end to, and that no man who omits to exert himself to bring it to an end ought to be considered a good man, or to enjoy the blessing of an easy conscience. To infuse disquiet into a man's conscience, except to make him the better for it afterwards, would be cruelty. But he who attempts to awaken others to iniquities which they have been blindly committing may safely discard such fear from his mind. His difficulty will be to give the better direction to conscience. Its stings and accusations need be but temporary, and the new torments will be the forerunners of a livelier sense of happiness consequent upon the increased good resulting from the more intelligent and effective discharge of duty. The principal gain to humanity will be from the improved direction of conscience in the young from the beginning, so that the good conduct looked for from them need not to be preceded by self-accusation and repentance.

P. I accept as a conclusion previously arrived at by you that we hardly dare, with all our attempts at improved and universal education, look forward to the time when the race of criminal and criminally disposed men will become extinct. Even if, in the far distant future, that happiness be in store for mankind, some measures must be taken to protect society from the misery which their unchecked licence would occasion.

B. It is the duty of government to look to that.

P. Truly. But what have we already said of this govern-

ment? Is the effective power in it drawn from the whole, or only from a portion of society?

B. Only from a part, and that the best and most enlightened part. The worsser and less enlightened members of a community are in fact the very causes which make government necessary at all.

P. Are the best and most enlightened among a people always competent to control, to direct, and to stimulate the action of the government so as to make it promote the general well-being as much as possible?

B. Judging by the past, we should say not so competent as experience has shown they might have been, but more competent than any others who could be found at the time to undertake it.

P. How may it be hoped to make the best and most enlightened among a people competent to discharge the duties of government?

B. By good teaching and training, not only to cultivate in them the ordinary good qualities, but such desire and aptitude to be useful to society, as will lead to their being selected by their countrymen, and to do credit to their choice.

P. It may so happen that some of you will in a few years have a voice in the government, or be actually called upon to perform some of the duties of legislators and administrators. Are you conscious of having formed any definite opinions concerning the method of dealing with the criminal and criminally disposed members of society?

B. You will hardly expect us to say more than that such opinions as we have formed are of the vaguest and most general. We shall have them, it is to be hoped, better defined with time and attention. Prevention, punishment, and reformation, ought to be the means principally relied upon by government for protecting society against criminals and the criminally disposed.

P. I am ready to take for granted that you desire to become competent, if called upon, to perform government duties, and

I presume you would acknowledge that it ought to be a matter of conscience with you to strive to acquire the qualifications which will lead to your becoming competent ?

B. As we cannot deny that government duties ought to be conscientiously performed, and that to perform them properly men must be instructed as well as conscientious, so neither can we deny that boys who are not sensible of striving to qualify themselves well to perform whatever government duties may await them do not deserve to be considered conscientious.

P. You mentioned prevention, punishment, and reformation, as three objects to be aimed at in regard to criminals and the criminally disposed. The first and last, difficult of attainment as they have hitherto proved, particularly the latter, do not give room for any discussion that would, just now at all events, be suitable for us. Details of which you must be uninformed, not principles, would have to be dealt with. I will not venture upon any questions concerning the effects that are to be expected from punishment till I can make sure that I understand precisely what you mean by the term.

B. We understand by punishment, pain and privation, whether in the shape of confinement, compulsory labour, or fines and penalties, inflicted upon criminals, with a view to deter others criminally disposed from committing crime.

P. I observe you do not include flogging or the infliction of any kind of torture among your punishments.

B. We could hardly do that, having felt and witnessed the discipline of our own school, where flogging and beating are unknown. We thought that torture had been discontinued in every civilized country.

P. Is not flogging torture ? As practised in our army and navy, and at the cart-tail not many years ago, it was a very cruel torture—so cruel, that the number of lashes ordered could seldom be inflicted without danger to life. The number of lashes according to sentence was reduced, in reality, with a view to save life, not to spare torture, by the interposition not of the judge or the chaplain, but of the surgeon.

B. We are quite prepared to surrender flogging or corporal punishment of any kind. For purposes of reformation we look upon them as worse than useless, as likely to harden rather than to correct—to frighten and embitter rather than to encourage and conciliate.

P. Would punishment, according to your notion of what it ought to be, admit of prison-treatment, which, as regards diet, ventilation, warmth, clothing and solitary confinement, might be calculated to undermine health, or to generate disease, mental or physical?

B. If you mean by "calculated," specially intended, or clearly seen by instructed men to be very likely to produce those effects, we unhesitatingly answer no. We can well understand that any prison discipline, even with the most humane attention to the condition of the criminals, might be damaging to the health of many, but we do not know how that can be avoided, if criminals are to be prevented from preying upon society, and to be confined for that purpose.

P. If you exclude from your notion of punishment any attempt either to torture criminals, or to damage their health, what limit would you fix to the dietary and scale of comforts for criminals under confinement? I presume you would not allow full scope to indulgence, even in luxuries that would be considered innocent outside the prison walls.

B. In the absence of any other reasons for restricting the prison fare of criminals, there is this one which cannot be overlooked—the larger number of criminals have no means of self-support. They are lodged, fed and clothed out of the earnings of others, and it is obvious that they ought not to be allowed to consume more of these than will just suffice to preserve existence and tolerable health.

P. Is it not desirable to make criminals contribute by their labour, and in that small number of cases where they have property of their own, out of their property, towards their own maintenance?

B. Where criminals have property, society ought not, so

far as we can judge, to be burthened with their maintenance. Indeed, we think their property, or as much of it as is required for the purpose, should be taken besides to pay the expenses of their conviction, and to repair the damage inflicted by their crimes, and to make compensation, whether to individuals or to society. Where criminals have no property, the skill of those in whose charge they are should be shown in inducing rather than in forcing them to work. And one would think the difficulty could not be very great with the larger number of criminals restricted to the barest prison fare unless they would earn some extras by their own labour.

P. Would not the criminals who had been the most neglected and miserable previous to their imprisonment, those unskilled in any craft, and unaccustomed to steady labour, be hardly dealt by, compared with the less incapable criminals?

B. Perhaps, they would in some respects. In others they would be better off. The prison-fare would not appear so hard to them compared with what they had been accustomed to; and if their reformation were attempted as it ought to be, they might be taught some handicraft, and be gently brought to get over their distaste for continuous labour. On being returned to society, if they had suffered more at first, they would have benefited more by their imprisonment than their less incapable fellow-prisoners.

P. I will now try to sum up all that you would aim at—I mean judicially, not educationally—in order to prevent crime, and punish criminals. You must correct me, if I do not state your views correctly. You would have an adequate police force to deter the criminally disposed, and to arrest suspected criminals. You would have prisoners tried, and then, if not found guilty, discharged, and if convicted, imprisoned and treated much in the way that we have gone over together, omitting no efforts at reformation, so that they might be restored to liberty without detriment to society.

B. We see nothing to object or to add to in your statement.

P. Let me ask, then, what you would do besides all that I have stated with a view to punishment?

B. You have puzzled us. We don't precisely know what else to suggest. But something more ought to be done to deter others from committing crime.

P. And if we should come to the conclusion that nothing more can be done judicially, ought that to make us despair of ever diminishing the number of criminals?

B. It ought rather to make us seek other means for diminishing them, to make us strive to diminish the number of criminally disposed by an education better adapted to its purpose, and brought to bear upon every member of society.

P. We must not, however, part with these two important matters of prevention and reformation, without examining whether any, and what deterring influences may be exercised through them over the criminally disposed who have not yet fallen into crime. Take the vagrant and disorderly portion of the criminally disposed; how do you think they will regard their liability to be shut up in prison, restricted to prison fare, and obliged to depend upon their own application to work and cheerful submission to discipline for every indulgence conceded to them?

B. We readily admit that they would not look forward with much satisfaction to confinement, and the accompanying prison discipline.

P. Very large numbers of criminals are more or less addicted to drunkenness and debauchery. What privations will they necessarily have to endure while undergoing the discipline indispensable for their reformation?

B. They will, of course, be debarred from spirits or fermented liquor, except where prescribed by the doctor; and forced sobriety is perhaps of all penalties the severest in the opinion of drunkards that could be inflicted upon them.

P. Do you think, if I were to go over the whole catalogue of crimes, that the knowledge of the kind of discipline pre-

pared as the means of reformation could fail to be looked forward to with a shudder by men criminally disposed ?

B. If this kind of discipline were not looked forward to with dread, neither would punishment of any kind likely to be inflicted in our times. Detention, reformatory discipline, compensation to society and to the individual injured, where possible, or as far as possible, would not afford a very alluring prospect to the vagrant, the idle, the drunken, the dishonest, the violent or the revengeful.

P. Have you formed any opinion as to the length of time during which imprisonment ought to last ?

B. Supposing all thoughts to be relinquished of inflicting pain under the name of punishment, in addition to imprisonment and reformatory discipline, it appears to us that imprisonment must last till there is good reason to expect that reformatory discipline has completed its work.

P. Would not that imply imprisonment during life for many criminals, and imprisonment greatly protracted beyond what is now customary for almost all ?

B. It would : for criminals would not be restored to liberty till it could be felt that society incurred no great risk of suffering from a renewed gratification of their criminal propensities.

P. Is there not reason to fear that the number of criminals in confinement would be greatly increased, and that, as a consequence, the number and size of our prisons, and the expense of maintaining the criminals, would be greatly increased also ?

B. The size and number of our prisons might, perhaps, have to be increased in the first instance, although the repeated re-committals and re-convictions which occur under our present system of administering justice make us think there would be no occasion for such increase, and make us feel almost sure that the number of criminals would ultimately be diminished, and the number and size of our prisons also. The expense to society would, we expect, be diminished at once, if we take into account the damage now done by the criminally disposed

at large, who would, under our supposed system, be in prison, after one conviction, till reformed.

P. Are there satisfactory reasons for suspecting that the damage done by criminals after a first conviction is very large?

B. It is impossible to read the reports of daily and weekly occurrences in the criminal and police courts, and not rise from the perusal with a sense of the waste and destruction of property, and of the violence inflicted and dismay occasioned by criminals who have already been convicted and sentenced to limited terms of imprisonment by magistrates and judges. From most of the trials in which crimes of violence against the person are before the court, this melancholy reflection must be carried away by every rational spectator, that the unprotected individuals, frequently women and children, connected with the criminal will be rather worse off than before, when the term of his imprisonment comes to an end.

P. Does it appear to you that any of the deterring influences exercised over the criminally disposed by our police and law courts would be diminished if criminals, instead of being sentenced to punishment as they now are, were to be sentenced to terms of imprisonment of greater or less duration, according to the signs of their depravity, and the probabilities of a late or early reformation?

B. We hardly know that there would be any difference, except that the term punishment would be discarded.

P. When you read the cases which are every day recorded in our police and criminal courts, and see culprits sentenced to weeks', months', and years' imprisonments, with or without hard labour, or to penal servitude, does the thought jump into your minds that few, if any, of the culprits will be turned loose upon society unreformed?

B. We carry away thoughts the very reverse of these; for scarcely a day passes in which we do not hear of some outrage committed by a ticket-of-leave man, or by a man who has *already* been convicted and punished.

P. What would your thoughts be, if criminals were sentenced

to terms of imprisonment measured by the prospects of reforming them?

B. Our hopes would then be that very few discharged prisoners would return to criminal courses; and that the number of those who did would become smaller and smaller gradually, as their keepers became more expert in reformatory treatment, and better interpreters of the symptoms of genuine repentance and improvement of character.

P. Which mode of magisterial and judicial treatment is more likely to lead away from thoughts of vengeance and retaliation?

B. The reformatory. It often strikes us that feelings of bitterness and anger, with a desire of inflicting pain upon criminals, especially after more than one conviction, colour the magisterial language in passing sentence.

P. Which system affords the better opportunities for rectifying decisions when they have been given in error?

B. The reformatory again. For the innocent, though convicted prisoner, might soon impress his keepers with the feeling that severity of discipline should be relaxed in his favour, and the term of his confinement be shortened, where the discovery of his innocence did not intervene to hasten its close.

P. How will you meet the objections of those who, compelled to admit the reasonableness of your answers, persist in urging their dislike, owing, perhaps, to the novelty of the proposal, to the cruelty of indefinite terms of imprisonment, and the expense of maintaining a large number of criminals?

B. If the indefinite term turn out to be a long one, or even for life, proof would be afforded of the magnitude of the mischief that would be inflicted upon society by setting the criminals, so detained, at liberty. In the larger number of cases, it is to be hoped that reformation would be accomplished. As regards expense, putting aside the value of the superior protection afforded to society, we have been told that prisoners under good discipline, and especially when approaching the

period at which they will be considered worthy of their liberty, can be made self-supporting.

P. There are persons who, in their horror of the repeated crimes of convicts, propose that we should revert to the severer forms of punishment which a mistaken philanthropy, according to them, has caused to be abandoned. Is there not some reason for suspecting that the mildness with which we now treat criminals, has stripped punishment of some of its terrors?

B. After the discussions which we have gone through, we might almost suggest that folly or silliness would characterize much of the modern treatment of criminals better than mildness. Detention of criminals till reformed, and for life, if reformation cannot be accomplished, would be our substitute for a course which seems to acknowledge neither principle nor method. If a notion were to prevail, that hardship, severity, or cruelty, were characteristic of the treatment of criminals, attempts would every here and there be made to screen the culprit, and divert the course of justice. Uncalled-for severity, by thus substituting uncertainty for certainty in the treatment of crime, would leave the criminally disposed undeterred, and society unprotected. On the other hand, let the impression be abroad that the treatment prepared for crime is at the same time most humane to the criminals and most beneficial to society, and every thoughtful person will be animated with the desire of bringing criminals to justice for their sakes, and for the sake of society also.

P. We have gone rapidly over a large part of the work which awaits, if not every individual, all those upon whom society depends both for its preservation and improvement. I need not ask you whether you aspire to take rank among the benefactors and improvers of society. I am sure that nothing could be more painful to you than to imagine that you are doomed to be among the provided for and guarded against, or even to be condemned to the ignominious lot of uselessness. *I will only ask you, before I take my leave, to tell me the line*

of conduct which it behoves you to pursue in order that your aspirations may not prove vain, but become the forerunners of happiness to yourselves, benefit to your contemporaries, and improvement to posterity?

B. First, we must bend our minds to persevere in forming the habits and acquiring the knowledge possible at our age and the aptitude for acquiring what more will be necessary, to enable us to become self-supporting and capable of performing all our duties and fulfilling all our obligations.

Secondly, knowing, as we do, that many individuals are addicted to plunder and harass their neighbours, and that many more give proofs of a propensity to obtain their living by violence and fraud, rather than by steady labour and upright dealing, we must prepare ourselves to be able to co-operate with other well-disposed individuals so as to organize protection against all who would disturb the general well-being.

Thirdly, we must be preparing to take our share in the performance of another work. The maimed, the imperfectly organized, and others overtaken by unavoidable calamities, are dependent upon contributions from the earnings of others, among whom we ought to hope to be. There are, besides, many destitute and helpless who might be otherwise, had they been well cared for in infancy and childhood; and, sad to say, there are thousands of neglected children around us growing up to lives of shame, of misery, and of crime. We must take our part in contributing to the relief of the former, and to the salvation of the latter.

Fourthly, being aware of the vast range of knowledge, the capacity for long-sustained attention, and the sagacity and forbearance required to judge of the fittest means for securing the execution of all this work, what laws to enact, how to administer them, and how to assist in selecting the legislators and functionaries best adapted, each for the special duty confided to him, we must be doing our utmost to master all those attainments and form all those habits which will enable us to do the lighter work, at all events, and to bring no discredit

upon the choice, if we should be selected to perform the more arduous.

P. In the state of mind in which you feel yourselves to be, on what do you chiefly found your hopes of becoming possessed of the qualifications requisite for enabling you to perform well the duties of life, to entitle you to the approbation of the wise, and to secure to you your own self-respect and the blessing of a good conscience?

B. On steady perseverance in pursuing our studies, in acting up to all those rules of conduct which have commanded our assent, and in endeavouring to discover for ourselves, whenever the necessity of deciding upon a course of action in new or strange circumstances shall be forced upon us, how the new course at our option may be made to correspond with former courses already approved, so as to promote, or at all events not to disturb, the general well-being.

P. And as regards the unfortunate children of your own age who are not in the same state of mind that you are?

B. Care for them must be included among our other duties. Care, also, for those still younger to secure their growing up to a consciousness of how much their future happiness depends upon early thoughts of self-discipline.

P. And what ought we to think of the boy, if there be one among you, who, participating in your knowledge and sentiments, neglects to practise sedulously and conscientiously this self-discipline?

B. That he is endangering his future happiness and respectability. It is to be hoped, for his sake, that the stings of conscience will urge him to correct the error of his ways at an early stage, lest, little by little, self-discipline become more and more irksome and difficult, till destitution, vice and crime fasten upon him, or he be saved only because the magistrate or the judge sentences him to the discipline which he was too heedless to practise of his own accord.

P. And what ought we to think of boys who have enjoyed *your advantages* (for I purposely exclude people whom we

might excuse from their ignorance) if, when they are grown into men, they either condemn their own children to lives of misery, through neglect of teaching and training, or sluggishly look on while like misery is in preparation for other children?

B. There can be but one excuse—ignorance—for men who are guilty of such barbarity. Intelligence, if anything worthy of that name could be the gift of men so conducted, would be degraded by companionship with such unconscientiousness or misdirection of conscience.

P. I must caution you that the enunciation of your sentiments as you have just expressed them, will expose you in some quarters to be stared at in amazement. You may be called visionaries, or utopians, or optimists. There is a class of sleek, easy people who are incapable of conceiving how the ways of society can possibly be very different from what they now are. The idea, in particular, of altering the direction of conduct for the better, and of rectifying and expanding thoughts concerning the distinctions between right and wrong, good and bad, strikes them as absurd in the extreme. If you should chance to meet with anybody in this frame of mind, who could be brought to lend you his attention, do you think you could suggest anything that might bring him to suspect that your thoughts upon the powers of a judiciously conducted education were not so hopelessly unpractical as he fancied?

B. We dare not say that we could. We might refer, in corroboration of our views of the potency of educational influences, to the prodigious variety of modes of employment for the purpose of earning a livelihood, and to the changes which from time to time have been introduced into the modes of employment. However distasteful many of those modes may be to persons who have not been trained to them, one only condition seems to be essential to recommend them to numbers sufficient to insure the doing of the work required for the good of society, with comfort to those engaged in it; and that condition is, success in earning the means of livelihood expected from it.

P. It might be objected to examples drawn from industrial

life, that they do not touch the chief difficulty in the way of improving the general state of well-being, which is to be found in prevailing habits. The desire of earning the means of subsistence, or of luxurious and ostentatious living will, it is found, bring the larger part of mankind to give themselves up cheerfully and regularly to every conceivable kind of employment, however unattractive, dangerous, or unwholesome it may appear at first sight. But how is it to be expected that men will forego the very pleasures and indulgences, the means of enjoying which they have worked to acquire?

B. It is not to be expected. But we must bear in mind that men's views in regard to what constitutes the enjoyment or indulgence desirable from abundance of wealth have undergone, and are undergoing, great changes—changes, too, indicative of growing intelligence and goodness. A time may come when rich men will take as much pleasure, and devote as great pains, to provide that all the children around them shall be receiving a good education, as that their mansions shall be sumptuously furnished, and their equipages well appointed. All that is required is, that objects to be sought for should be prized in proportion to their glory and loveliness. The efforts to attain them can scarcely fail to follow in the same order.

P. Will not some new or greatly improved machinery be required to bring about the great change in moral sentiments which you are contemplating?

B. No other improved machinery, as far as we can see, than that improved education which you are insisting upon—an education the very essence of which is to form the understandings and dispositions of the young, so as to bring them to estimate conduct by its tendency to promote the general well-being, and to aim at the practice of that self-discipline which will lead them to the further knowledge, and strengthen them in the habits desirable for enabling them to contribute as largely as possible to that well-being.

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